1986

ONTARIO BUDGET

THE
HONOURABLE
ROBERT F. NIXON
TREASURER
OF ONTARIO

1986
Ontario
Budget

Presented to the Members of
the Legislative Assembly of Ontario by
Robert F. Nixon
Treasurer of Ontario and Minister of Economics
May 13, 1986

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1986 Ontario Budget

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1986 Budget at a Glance

	Interim 1985-86	Plan 1986-87	Per Cent Change
	($ million)		
Gross Provincial Product	177,059	191,200	8.0
Revenue	27,687	29,948	8.2
Expenditure	29,316	31,492	7.4
	1,629	1,544	
Extraordinary Adjustments	505	–	
Net Cash Requirements	2,134	1,544	

1986 Budget Statement

I am pleased to present my second Budget to the Legislature. It represents a continuation of the themes I presented to the House last October. It is a statement of the current economic outlook, a commitment to action and an expression of our philosophy of public finance.

Let me open on a positive note by reporting that the outlook for Ontario's economy has improved significantly since my last Budget. Part of this improvement is due to various external factors, such as an exchange rate that favours Ontario exports, falling interest rates and lower oil prices. Part of it is due to a growing recognition of Ontario's fundamental strengths, which make it an attractive place in which to invest. We are close to North America's major markets. We have a highly-educated, highly-skilled and highly-motivated work force. We have access to the latest technologies and the know-how to adopt those technologies to create local opportunities. We have competitive wage rates and labour legislation that guarantees fair compensation and fair treatment in the workplace. Recent major investments by the automotive and other industries are a measure of these strengths.

Unfortunately, I must also report the obvious: not all regions, industries and groups of people are sharing in the general prosperity. Many Ontario farmers are experiencing the worst conditions since the 1930s; low commodity prices have dramatically reduced farm incomes. The Ontario mining industry is struggling to survive a severe and prolonged downturn in metal prices. Some parts of Northern and Eastern Ontario, and some single-industry communities, are enduring severe economic hardships. In many parts of the province we are seeing continuing high levels of unemployment.

This Budget responds to the individuals, regions and industries that need immediate help. But it offers something more: a series of concrete incentives to innovation and entrepreneurship -- the forces that are propelling Ontario into tomorrow's advanced-industrial economy.

Underlying this approach is our conviction that the surest route to continuing prosperity is a combination of good business and businesslike government. The private sector's job is to create a competitive economy. The role of government is to help Ontario business get on with that job and to manage the Province's own affairs in an efficient and cost-effective manner. This will be reflected in a move towards pay-as-you-go fiscal management, aimed at balancing operating expenditures with current revenues.

In addition, I will be announcing important changes in the way Ontario manages its capital spending. A central feature of the new management

system will be a capital account from which each ministry's capital requirements will be met. Because the money will be allocated according to multi-year spending plans, each ministry will be able to manage with a degree of certainty never before possible.

We believe our new approach will be a fairer, more effective way of managing Government expenditures. It is false economy to try to balance budgets by ignoring society's real needs. The restraint programs of the past decade have not reduced the real deficit, because some deficits do not show up on government balance sheets. Instead, they show up in the form of waiting lists for hospital beds, rows of portable classrooms, neglected universities and bumpy roads.

We will face these problems directly while retaining our framework of fiscal responsibility.

Our social programs are an integral part of the wealth-creation process. They are not add-ons that can be trimmed or scrapped according to the prevailing economic fashion. We need a healthy economy to pay for social programs. But social programs, in turn, help build a healthy economy, by helping people adapt to the dislocations that economic progress sometimes creates.

This is a Budget that combines social concern and common sense. Under the leadership of Premier David Peterson, the Government's goal is to sustain the upsurge in investment, job creation and economic growth that now characterizes the Ontario economy and to build a more reliable and sensitive spectrum of social programs.

Economic Outlook

Ontario's economy is expected to grow in real terms this year by 4.2 per cent. Inflation is forecast at 3.8 per cent -- a long way below the double-digit rates of the early part of this decade. We expect to see 175,000 new jobs created in Ontario this year, and the unemployment rate is expected to average 6.9 per cent.

People and businesses are continuing to spend. Retail sales are expected to grow by 8.1 per cent this year, while investment will increase by 10.3 per cent. This vote of confidence by consumers and investors will receive some added stimulus from the recent decline in oil prices. Ontario's total crude oil bill in 1986 will be about $2.5 billion less than it was last year.

However, we are aware of the damaging consequences of a sudden drop in oil prices to many regions of the country and some Ontario industries and workers.

Lower inflation is leading to lower interest rates. This is obviously good news for Ontario's economy, especially for the housing and construction sectors. This year, 68,000 housing starts in Ontario are forecast; that would make it the best year since 1978 for residential construction.

Details of the Ministry economic forecast can be found in Budget Paper B.

Enhancing Ontario's Competitive Position

The strong economic climate gives us the opportunity to build the foundations of continued prosperity. We are determined that Ontario industry remains competitive in world markets. That means investing in the latest technology to produce better products, and selling them more aggressively around the world.

Many Ontario companies are doing that already: our industries are investing billions of dollars to equip themselves for tomorrow's competitive challenges.

Despite this encouraging overall investment performance, many sectors of Ontario industry are less productive and efficient than their competitors abroad. In general, Ontario industry has been slow to take advantage of the revolution in technology, which encourages flexible manufacturing and just-in-time production techniques. With notable exceptions such as our automobile, auto parts and steel industries, manufacturing productivity in Ontario is lower than in the United States. Our current competitive advantage in manufactured goods is less a tribute to our efficiency than to the value of the Canadian dollar.

Improving productivity is mainly the responsibility of the private sector. But there is an important supporting role for government to play. That is why the Ontario Government can and will:

- promote technological innovation by strengthening the links between the private sector and Ontario's universities;
- support new and growing companies, which generate most of the new jobs;
- encourage better training and retraining to build tomorrow's skills in today's workplace; and
- promote excellence in our schools, colleges and universities.

Ontario is also participating in preparations for the Canada-U.S. bilateral trade negotiations. We believe that good trade relations with the United States are vital. Our objective is to secure and enhance access to American markets; but, in doing so, we continue to be concerned about the price Canadians may be asked to pay to achieve these objectives. We insist that Canada maintain its economic and political sovereignty. This includes the ability to have a flexible exchange rate policy; to pursue necessary regional and industrial development policies; to preserve our social programs; to protect and nurture our cultural industries; to recognize the unique problems of the agricultural sector and to maintain existing trade arrangements such as the Auto Pact.

Investing in Technology

When a company invests in new plant or equipment, it buys the latest, most productive technology. That is why the level of capital investment is an important measure of our ability to compete internationally. By this

yardstick, Ontario is doing well. The post-recession increase in capital spending in Ontario is still in full swing.

But unless we invest even more in new technology, we will not be able to maintain our current level of competitiveness. We cannot afford to underestimate the skills and sophistication of such new players in the global trading arena as Brazil, Singapore, Hong Kong and Korea. We must also outperform our major competitors among the industrial countries, because we have some catching up to do.

As part of this strategy, the Government has already announced the establishment of a council, chaired by Premier David Peterson, to direct a $1 billion technology fund for the next decade.

The technology fund will support a wide variety of initiatives and joint ventures, some of them involving partnerships with the federal government, universities and the private sector. This Budget sets aside $100 million this year as our initial contribution toward these initiatives.

Investing in Entrepreneurship

Small business is the most dynamic component of the private sector and creates most of Ontario's new jobs. More than one-half of the new jobs created in Ontario over the next five years will come from businesses that do not now exist.

The Throne Speech announced programs to support growing Ontario companies. In addition, the Ontario Development Corporation (ODC) will be reorganized to improve the delivery of assistance to small business.

The ODC will be expanded to include a New Ventures program, which will provide loan guarantees of up to $15,000 to newly-established businesses, along with advice and counsel to new entrepreneurs.

A new program, Innovation Ontario, will provide pre-venture capital assistance to small businesses in the high technology field. It will also provide assistance for licencing and joint ventures, and for firms developing technology-intensive products purchased by all levels of government.

To carry out its expanded mandate, the ODC budget will be increased by $10 million this year. The Minister of Industry, Trade and Technology, Hugh O'Neil, will be announcing further details.

Most of Ontario's new businesses, and most of the new jobs, are generated in the service sector. To recognize the growing importance of this sector, we are broadening our Small Business Development Corporations (SBDC) program, so that companies offering certain support services to business will become eligible for SBDC incentives. This will ensure more effective use of the $30 million that has been budgeted for this program in 1986-87.

Last October we began a major study of the service sector and its impact on the Ontario economy. An interim report is included in the Budget Papers and the final report is expected to recommend further policy initiatives.

Tourism is one of Ontario's most important service industries. The Ministry of Tourism and Recreation is preparing a strategic plan to assess where further development of the tourism industry is needed. In the meantime, the Minister of Tourism and Recreation, John Eakins, has launched a new marketing campaign to attract visitors to the province and is developing a hospitality awareness program to encourage repeat visits to Ontario. I am providing $10 million in new funding for these and other tourism initiatives in addition to $2.8 million in capital assistance for new hospitality training facilities. These amounts are supplementary to the $12 million already budgeted this year for investment in tourism facilities in conjunction with the federal government.

Employee Share Ownership Plans

I believe Employee Share Ownership Plans can foster a stronger partnership between employers and employees by enabling employees to participate directly in the benefits of business growth. For small- and medium-sized businesses they can provide a new and welcome source of equity capital.

I am proposing measures to make it easier for employees to participate in these plans and to encourage employers to establish them. To encourage employee participation, the Province will provide employees of small- and medium-sized Ontario businesses with a 15 per cent tax credit on up to $2,000 of annual purchases of newly-issued shares of their employers' corporations. To encourage businesses to establish Employee Share Ownership Plans, the Government will compensate them for one-third of the cost of setting up a plan to a maximum of $10,000. I expect to have Ontario's program in place for 1987. Details of the proposal are outlined in Budget Paper A.

In the meantime, I believe the proposal would benefit from the advice and counsel of concerned organizations and members of the public.

I also believe that there are opportunities to make greater use of the income tax provisions for profit-sharing arrangements to support employee share ownership. My staff will be working with federal officials to prepare a proposal.

Training

On-the-job training and skills development is one of the essential building-blocks of economic growth. This area is so important, and has been so neglected, that we are doubling the Province's allocation for skills training and upgrading programs to $100 million. Our goal is to expand and reshape the system, so that training and skills development become a normal and continuing part of the work experience. Our programs will address the special needs of women, minorities, older workers and young people, and will place more emphasis on helping smaller companies to set up training programs of their own.

The allocation for training and employment programs for youth will be continued at the 1985-86 level of $175 million. This brings our total funding for skills development, training and employment programs to $275 million. The Minister of Skills Development, Gregory Sorbara, will be announcing details of these programs.

Investing in Education

Our economic future cannot be secured without a strong and vital education system. In my last Budget I increased basic operating grants for universities and for Colleges of Applied Arts and Technology for 1986-87 by four per cent and provided $80 million for the colleges and universities Excellence Funds. Together they raise the overall increase in operating and capital grants to our post-secondary institutions by eight per cent this year. The Excellence Funds provide for upgrading of library and instructional equipment, research support and a multi-year program of faculty renewal to support 500 new faculty positions in Ontario universities.

Universities will also be major beneficiaries of the technology fund; the fiscal plan for 1986-87 provides $15 million to revitalize and strengthen Ontario's applied research capacity. The criteria for the University Research Incentive Fund will be expanded to encourage cooperative research projects with industry, and matching grants will be improved to a one-for-one basis.

Last year I established an education capital fund for 1986. In addition to regular capital funding of $67.2 million, the fund provides $25 million to reduce the backlog of school board capital requirements. This funding has been fully committed and many of the projects are well underway.

TVOntario will be given special funding for more curriculum-based science programming in cooperation with the private sector production industry in Ontario.

Regions and Communities

The measures introduced last year to strengthen the Province's partnership with local governments have given municipalities a greater degree of certainty in planning for the provision of local services.

As part of our continuing efforts to strengthen our partnership with local governments, the basic funding increases for school boards, municipalities, hospitals, universities and colleges will be announced by November 1.

I am also improving the timeliness of payments to municipalities to ease their short-term financing requirements.

The Community Economic Transformation Agreements (CETA) program will be renewed and broadened in scope. The program will be available to communities facing substantial economic dislocation. It will be of special importance to Eastern and Northern communities, particularly those depending on single industries that are facing severe structural adjustment problems. The City of Sault Ste. Marie, which is facing major layoffs at

Algoma Steel, is an obvious example. The focus of the program will be on long-term job creation. Communities that take the initiative to generate and develop ideas for job creation may receive Provincial assistance which, together with local and private-sector funding, will help make these ideas a reality. I am budgeting $25 million for this measure over the next two years.

Northern Development

The Government will ensure that new initiatives are combined with existing programs in a comprehensive response to the difficult circumstances in Northern Ontario.

In the meantime, the budget of the Ministry of Northern Development and Mines includes an increase of $10 million in 1986-87 for health care and transportation initiatives. An additional $5 million will be spent on new educational programs for the North. This year, $17 million will be made available from the $100 million Northern Development Fund to promote enduring economic activity in the North.

Ontario Hydro is establishing a Northern Advisory Board to enable it to play a more active role in stimulating northern development.

The mining industry has long been the mainstay of many northern communities. In order to keep pace with the changing competitive conditions facing the mining industry, I presented last fall a number of proposals to simplify the *Mining Tax Act* and to make Ontario more competitive with other provinces. After extensive consultation, I am transferring responsibility for the administration of the *Mining Tax Act* to the Ministry of Revenue, and I will introduce a bill to update that Act. As already announced, we will maintain the existing maximum processing allowance of 65 per cent.

The forest industry is a major contributor to the provincial economy and accounts for more than $3.5 billion in annual exports. To ensure that our forest resources are properly tended and protected, Ontario will increase its forestry budget by more than 13 per cent to $271 million in 1986-87. Included in this funding is $3.5 million to expand the number of Forest Management Agreements and $35 million under a cost-shared agreement with the federal government for forest management activities.

Eastern Ontario Development

Economic conditions in Eastern Ontario also warrant special attention.

The reorganization of the Ontario Development Corporation, its broader range of programs and its higher allocation should be of particular benefit to Eastern Ontario.

The CETA program will permit Eastern Ontario communities to undertake initiatives to revitalize their local economies. New funds will also be available to boost tourism in the region.

Recently, Government assistance encouraged the establishment of auto parts plants in Peterborough and Lindsay, involving a total investment of $68 million and the creation of almost 500 new jobs. These developments clearly point to the rich potential for this area of the province.

Agriculture

As I noted earlier, the agricultural outlook remains bleak. Although interest rates are dropping, too many farmers still have unacceptably high debt burdens. With low commodity prices, the cash flow from farming operations is too often insufficient to service farm debt and credit is increasingly difficult to obtain. With the threat of continued depressed prices posed by new United States agricultural policies, the financial pressures on our farmers are expected to continue.

To respond to the needs of Ontario's farm community, the budget for the Ministry of Agriculture and Food has been increased to $457 million, a 39 per cent increase in funding since we took office. In line with the recommendations of the Task Force on Agricultural Finance, we will:

- extend the Ontario Family Farm Interest Rate Reduction Program;
- expand the Farm Operating Credit Assistance Program; and
- expand the Beginning Farmers Assistance Program.

We will also introduce new research and education initiatives and improve the marketing of Ontario's agricultural products. Full details of these initiatives will be announced by the Minister of Agriculture and Food, Jack Riddell.

In my last Budget I announced a special fund to assist Ontario farmers who are leaving the agricultural industry. The federal government has now announced a similar program that is national in scope. This provides us with an opportunity to wind down those aspects of our program that the federal program replaces and to reallocate the funding to other agricultural priorities.

Quality of Life

I now turn to our plans for improving Ontario's social programs. Most are designed to provide long-term benefits. But there is one urgent problem that requires immediate action. A disturbing number of social assistance recipients often need to use their food money to pay rent. I am, therefore, providing an additional $25 million to increase shelter subsidies for those recipients with very high shelter costs. About 50,000 families will benefit from this increased support.

Child Care

The Government is committed to a reform of child care policy and recognizes child care as a basic public service. A comprehensive plan for this important service for working parents is now being developed.

In the meantime, I wish to demonstrate our commitment to child care in a practical way. In addition to the $26 million increase in funding allocated this year to my October 1985 Budget initiatives for child care, I am adding a further $6 million to alleviate a number of pressing problems, including capital expansion.

Community Support Services

In other social initiatives, we are placing a fresh emphasis on mobilizing community resources to help people lead more independent lives.

- To strengthen services for senior citizens, I am providing $13.5 million for new and existing programs, including the improvement of community support services, the expansion of Regional Geriatric Assessment Units, and the establishment of a new Department of Geriatrics at an Ontario university.
- To demonstrate Ontario's commitment to the disabled, and in recognition of the United Nations declaration of the Decade of Disabled Persons, I am allocating $10 million to permit greater participation of the disabled in the mainstream of social and economic activity.
- To expand and enhance housing programs to better meet the needs of the disabled, I am providing an additional $5 million to the Ministry of Housing and the Office Responsible for Disabled Persons.
- To help integrate the developmentally handicapped into our communities, $17 million will be allocated over the next two years. A comprehensive plan for community and residential services for the mentally handicapped is being developed.

Health

We will provide $850 million for a major, multi-year hospital capital expansion. The program will provide for additional acute and chronic care beds and the most pressing improvements to existing hospital and cancer treatment facilities. All construction will begin within the next five years. The Minister of Health, Murray Elston, will bring forward a comprehensive plan for future capital requirements.

The Minister of Health will be presenting a proposal to extend the range of dental services available to children. Local health units will receive special funding to provide necessary treatment to school-aged children with urgent dental care needs.

Environment

The Government has moved quickly to respond to the environmental concerns facing Ontario. My Budget provides continued support for the Security Fund for waste clean-up, and new funding to ensure that we can respond quickly and efficiently when toxic spills occur anywhere in the province.

The Ministry of the Environment's $363 million budget includes an additional $5 million to improve monitoring of water quality and to expand its capacity to perform the necessary sophisticated laboratory tests.

To improve systems for disposal of biomedical waste and to ensure compliance with current waste disposal standards, the Minister of Health will soon announce details of a $15 million biomedical waste treatment plan for hospitals.

Housing

We are making progress in meeting our commitment to increase the supply of affordable rental housing. In February, Alvin Curling, the Minister of Housing, signed an agreement with his federal counterpart to build 6,700 units of non-profit and cooperative housing in 1986. At least 4,700 of these will be subsidized units for low-income families. The Province will also share the cost of 600 rent-geared-to-income units in the federal government's new Cooperative Tenure Program.

Through the Renterprise program, announced last December, 5,000 rental units will be built. Other programs will help pay the costs of renovating older apartment buildings.

We will spend $500 million on affordable housing programs over the next five years; this year spending on housing programs will total more than $60 million.

The Arts

My colleague, Lily Munro, the Minister of Citizenship and Culture, will be announcing a new Investing in the Arts program. This four-year, $10 million initiative will deliver incentives for fund-raising efforts and improve the financial strength of Ontario's arts organizations.

Federal-Provincial Issues

The people of the province and the nation benefit when the federal government and the provinces work together. An example is last year's national consensus on private sector pension reform. More recently, after nearly a decade of discussion, the federal and provincial governments have reached agreement on a new financing arrangement for the Canada Pension Plan and a modest package of needed benefit improvements.

The first annual meeting of Ministers under the Economic and Regional Development Agreements (ERDA) will take place in June. We will discuss Ontario's priorities for action over the coming year and review progress under the ERDA with the federal Minister of Regional Industrial Expansion. I expect we will be able to agree on a number of new initiatives to further the province's economic and industrial development potential.

Another matter of shared concern for both levels of government is the need for a comprehensive response to the current difficulties in Northern Ontario. One of the great strengths of this nation is our capacity to recognize and

respond cooperatively and positively to problems in any part of Canada where need exists.

Unfortunately, not all recent developments have been positive. The combined impact of the last two federal budgets will be a net reduction in Ontario's revenues of an estimated $39 million this year.

The federal cut in support for health care and post-secondary education will reduce Ontario's revenues by $114 million this year and by close to $2 billion over the next five years.

The capital gains exemption introduced in the 1985 federal budget will reduce Ontario's revenues by $130 million per year. It undermines the fairness of the tax system and adds significantly to its complexity. Since my October Budget, I have conveyed Ontario's opposition to this exemption to the federal Minister of Finance. After a thorough review of the available options, I have decided it is not practical to proceed with an Ontario capital gains tax.

I am concerned about the implications for Ontario of a number of items on the federal agenda.

- The proposal in the last federal budget for international banking centres fails to recognize the importance of Toronto as the nation's major financial centre and it sends a confusing signal to the international banking community.
- The social program cuts proposed by the Nielsen Task Force could adversely affect our revenues for these programs or result in the shift of expenditures to the Province.
- The federal finance minister indicated that he will introduce measures in his next budget to change the federal system of social expenditures and the related tax measures but he has not indicated how or when he will consult the provinces about these matters of fundamental concern.
- The federal government is expected to change its sales tax to a business transfer tax. This could have major economic and fiscal implications for Ontario.

Finally, we are concerned about what is not on the federal-provincial agenda. A thorough review of the entire tax system is needed. Taxpayers are increasingly concerned about its complexity, questioning its fairness and skeptical about the way the tax system is used to create incentives.

It is also time to begin a federal-provincial discussion of the issues related to the financing of child care and to consider a far-reaching reform of social programs. Ontario has initiated its own study of social assistance which, I believe, will contribute to the national review of the financing and delivery of income support programs.

I intend to raise all these matters at the next federal-provincial meeting of finance ministers and treasurers.

Estimated Impact of the 1985 and 1986 Federal Budgets and In-Year Announcements on Ontario Revenue
($ million)

	1985-86	1986-87	1987-88
1986 Federal Budget	(2)	32	106
1985 Federal Budget	(50)	15	(24)
Minimum Tax	2	28	28
Established Programs Financing Reductions (Announced Formula Change)	–	(114)	(250)
Total	**(50)**	**(39)**	**(140)**

Fiscal Management

An important aspect of fiscal responsibility is to pay today for things consumed today, and to borrow only for projects of enduring benefit and when economic stimulus is required. This is the foundation of our approach to fiscal management.

As part of this pay-as-you-go policy, we are making major changes in the way the Province's financial affairs are managed. These changes will make possible a more businesslike approach to Government spending.

In past years, each ministry developed separate capital spending plans and received allocations on a year-by-year basis. There was little coordination among ministries and long-term planning was inadequate.

We will implement a more comprehensive approach to capital expenditure planning. The Management Board of Cabinet will coordinate Ontario's capital and other investment plans. Each ministry will submit a multi-year capital plan, which will identify future needs and report the impact of new capital spending on operating costs. These plans will be updated annually and reviewed to ensure that they are consistent with overall Government objectives.

Other changes are planned:

- As announced in my October 1985 Budget, my colleague, Elinor Caplan, Chairman of Management Board, will be making regular reports to the House on the results of her review of the effectiveness and efficiency of Government activities.
- I have asked Treasury staff for a review of the financing issues related to the indexing of Ontario's two major public-sector pension plans.
- We are continuing to review our financing strategies to take advantage of new opportunities in capital markets and modern debt management techniques. We have declined Canada Pension Plan funds available to Ontario in May of this year, because these funds were surplus to our needs and were more expensive than alternative sources.

- Lottery revenues will no longer be designated for specific programs. They will now be used for such priorities as cancer treatment, community hospitals and university research, as well as for community recreation and cultural activities.

More details on these initiatives are provided in Budget Paper C.

I now come to this Budget's revenue measures. In reviewing my options, I concluded that increases in the rates of personal income tax, retail sales tax and corporate income tax are unwarranted. Instead, I am proposing measures to improve the fairness of the system, specifically:

- an increase in the tobacco tax of 0.13 cents per cigarette, which will add approximately four cents to the price of a package of 25;
- ceilings on retail sales tax support for the purchase of alternative fuel vehicles, effective 30 days following Royal Assent;
- removal of the sales tax exemption for heavy trucks and trailers;
- continuation of the three per cent surtax on Ontario personal income tax in excess of $5,000;
- paralleling of the federal treatment of reserves in the corporate income tax; and
- tightening and simplification of the current rules for the calculation of the capital tax base.

Except as indicated, these measures will take effect on January 1, 1987. I estimate that these measures, detailed in Budget Paper A, will increase Ontario revenues by $17 million this year.

To benefit low-income people:

- I propose to further broaden Ontario's income tax reduction program. For 1987, taxpayers with taxable incomes of less than $2,275 will have their taxes reduced; and those with taxable incomes of less than $2,075 will pay no Ontario personal income tax at all. This will save low-income Ontarians an additional $15 million next year, and will bring to 550,000 the number of Ontarians whose provincial tax is reduced or eliminated by this program.
- We will continue to phase down our reliance on OHIP premiums to help fund health care. In addition, we will eliminate premium payments for an estimated 35,000 low-income Ontarians in 1987, at a cost of $20 million.

Finally, I propose that the sales tax relief for low-priced meals introduced earlier this year be improved by raising the $1 exemption level to $2. This measure will take effect 30 days following Royal Assent. I expect this change to cost an additional $20 million this fiscal year.

Fiscal Plan

The Fiscal Plan reduces net cash requirements to $1,544 million this year. This amounts to an $85 million decrease from the level of last year's net cash requirements before taking into account extraordinary adjustments, such as paying off the Suncor note. Including those adjustments, net cash requirements were reduced by $590 million from $2,134 million last year. The Fiscal Plan continues the downward trend in net cash requirements as a percentage of total Government spending, from 6.5 per cent last year to 4.9 per cent this year.

Fiscal Outlook
($ million)

	Interim 1985-86	Plan 1986-87	Difference	Per Cent Change
Revenue	27,687	29,948	2,261	8.2
Expenditure	29,316	31,492	2,176	7.4
	1,629	1,544	(85)	
Extraordinary Adjustments	505	–	(505)	
Net Cash Requirements	2,134	1,544	(590)	

Revenues are projected to increase by 8.2 per cent this fiscal year, reflecting Ontario's continued strong economic performance. Expenditures are expected to grow by 7.4 per cent. Details of this fiscal plan are included in Budget Paper C.

Operating Position

The operating position reflects the progress the Government has made in paying for its day-to-day operating needs from its current revenues. This Budget further reduces the operating deficit by $263 million this year to $317 million.

Provincial Operating Position
($ million)

	Interim 1985-86	Plan 1986-87	Difference
Current Revenue	26,228	28,454	2,226
Current Expenditure	28,890	31,031	2,141
	(2,662)	(2,577)	85
Less: Capital Expenditure	2,082	2,260	178
Operating Position	(580)	(317)	263

New Budget Process

Accompanying my last Budget was a discussion paper entitled *Reforming the Budget Process.* I have received a great deal of positive comment from individuals and associations that have participated in budget consultations. The Legislative Committee on Finance and Economic Affairs has been appointed. I am pleased to confirm that the consultations for the 1987 budget will begin this autumn and I will present a paper to assist in focusing the debate. These are important reforms which will assist future budgets to be fully responsive to the needs of Ontarians.

The Legislative Committee will also be asked to deal with other issues of significance to the province and the nation. For example, there is a growing public concern about corporate concentration and ownership. In many cases this concentration is being fed by mergers and takeovers.

I question the merit of these mergers as well as the dangers the resulting concentrations pose for our community. I am asking the new Legislative Committee to examine this issue and to bring to the Legislature its recommendations for an appropriate Ontario response.

Conclusion

The Budget provides for the Government's program outlined in the Speech from the Throne.

It adopts a longer-term approach to the management of Government.

It introduces programs to maintain our economic prosperity and create jobs.

It describes the Government's programs to assist business in meeting the competitive challenges of the 1990s and the rationalization and simplification of the delivery of those programs.

It responds to the crisis in the Ontario farm community.

It funds programs essential to maintaining and improving the quality of life in Ontario.

It establishes new standards for fiscal management.

And finally, it proposes no general tax increases.

Budget Paper A
Budget Measures

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A1: Details of Revenue Changes

The purpose of this section is to provide a more detailed description of the tax changes outlined in the Budget Statement. This is a concise summary only, and the reader is advised to consult the amending legislation for exact information.

Income Tax Act

Surtax

- The surtax of 3 per cent of Basic Ontario Income Tax in excess of $5,000 will continue for the 1987 and subsequent taxation years.

Ontario Tax Reduction Enrichment

- For purposes of the Ontario Tax Reduction, the prescribed taxable income level below which no Ontario tax is payable will be $2,075 for 1987. The level below which reduced Ontario tax is payable will be $2,275.

All enquiries regarding personal income tax changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
(416) 965-5738

Retail Sales Tax Act

Exemption for Prepared Food Products

- The exemption level for prepared food products will be increased from $1.00 to $2.00.

Effective: thirty days following Royal Assent to enabling legislation.

Exemption Eliminated on Certain Transportation Vehicles and Equipment

- The exemption from the 7 per cent tax will be withdrawn on the following transportation vehicles and equipment:
  - Highway truck tractors with a gross vehicle mass rating of 11,778 kilograms or more;
  - Trucks designed for the carriage of freight with a gross vehicle mass rating of 11,778 kilograms or more; and
  - Truck trailers, tractor trailers and semi-trailers designed for the carriage of freight with a gross vehicle mass rating of 11,778 kilograms or more.
- Vehicles and equipment delivered to purchasers prior to January 1, 1987 will be exempt.

Effective: January 1, 1987.

Ceiling on the Tax Relief for Alternatively-Powered Motor Vehicles

- A ceiling of $750 per propane conversion and $1,000 per natural gas and other alternative fuel conversions will be placed on the current rebate of sales tax on motor vehicle conversions. A vehicle currently eligible for an exemption will be subject to the 7 per cent tax at the time of sale, but a rebate up to the new limit will be provided by the Ministry of Revenue.
- The exemption for conversion kits to convert vehicles to use alternative fuels will be replaced by a rebate program administered by the Ministry of Revenue.

Effective: thirty days following Royal Assent to enabling legislation.

- The 30-day time limit for conversions to be completed is being extended to 90 days, provided that the original written order for conversion is placed within 30 days of the date of sale of the vehicle to be converted.

Effective: the day following Royal Assent to enabling legislation.

All enquiries regarding retail sales tax changes should be directed to:

Retail Sales Tax Branch
Ministry of Revenue
P.O. Box 623
33 King Street West
Oshawa, Ontario
L1H 8H7
(416) 433-6194

For telephone enquiries in Toronto call (416) 965-1160, extension 6194.

Tobacco Tax Act

Tax Rate Changes

- The specific tobacco tax rates will be increased from:
  - 2.70 cents to 2.83 cents per cigarette; and
  - 1.5 cents to 1.6 cents per gram of cut tobacco.
- The tax on cigars will remain at 45 per cent of the price at retail.

Effective: January 1, 1987.

All enquiries regarding the tax rate changes should be directed to:

Motor Fuels and Tobacco Tax Branch
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9
(416) 433-6340

For telephone enquiries in Toronto call (416) 965-1774, extension 6340.

Corporations Tax Act

Capital Tax: Short-Term Investments, Loans and Advances

- For the purpose of calculating the capital tax:
  - the inclusion of certain short-term investments, loans and advances as eligible investments for investment allowance purposes will be limited to those that have been issued and held for at least 120 days prior to the end of the corporation's taxation year; and
  - the inclusion of certain loans and advances in paid-up capital will be limited to those that have been outstanding for at least 120 days prior to the end of the corporation's taxation year.
- The short-term investments and advances of dealers in financial securities will be eligible investments for investment allowance purposes regardless of their term outstanding provided that they are described in the dealer's inventory of securities being held for sale.

Effective: for taxation years of corporations ending on or after January 1, 1987.

Profit and Capital Gain Reserve Provisions

- The Corporations Tax Act will be amended to parallel the provisions of the Income Tax Act (Canada) in respect of profit and capital gain reserves arising on the disposition of property. Profit reserves for unreceived proceeds will be allowed for a maximum period of three years. A five-year reserve period will be provided for unreceived capital gain proceeds. No reserve in respect of resource property dispositions will be allowed.

Effective: for dispositions made on or after January 1, 1987.

All enquiries regarding corporations tax changes should be directed to:

Corporations Tax Branch
Ministry of Revenue
P.O. Box 622
33 King Street West
Oshawa, Ontario
L1H 8H6
(416) 433-6513

For telephone enquiries in Toronto call (416) 965-1160, extension 6513.

A2: The Ontario Health Insurance Plan

Premium Assistance Enrichment

- Premium assistance will be broadened as follows:

  (a) *Free Coverage*

  - single persons having taxable incomes of $3,500 or less;
  - families having taxable incomes of $4,000 or less.

  (b) *75 per cent Premium Reduction*

  - single persons having taxable incomes between $3,500 and $4,000;
  - families having taxable incomes between $4,000 and $5,000.

  (c) *50 per cent Premium Reduction*

  - single persons having taxable incomes between $4,000 and $4,500;
  - families having taxable incomes between $5,000 and $5,500.

  (d) *25 per cent Premium Reduction*

  - single persons having taxable incomes between $4,500 and $5,000;
  - families having taxable incomes between $5,500 and $6,000.

Effective: April, 1987 benefit month.

- Pensioners and social assistance recipients will continue to be eligible for free OHIP coverage.

All enquiries regarding The Ontario Health Insurance Plan should be directed to the nearest OHIP office or to:

Enrolment Services Branch
OHIP
Macdonald Cartier Building
49 Place d'Armes
P.O. Box 48
Kingston, Ontario
K7L 5J3

A3: Small Business Development Corporations

The purpose of this section is to provide a more detailed description of the changes to the Small Business Development Corporations (SBDC) program outlined in the Budget Statement. This is a concise summary only, and the reader is advised to consult the amending legislation for exact information.

The following changes will be made to the SBDC program:

- The definition of an eligible small business will be expanded to include certain services to business, including:
  - Computer Services;
  - Architectural, Engineering and other Professional Scientific and Related Technical Services;
  - Services Ancillary to Manufacturing, such as electroplaters, foundries and milling operators.
- The special fund for New Enterprises will be combined with the General Fund so that there will be only two funds: one for investments in the North and East, eligible for a 30 per cent incentive; and one for all other investments, eligible for a 25 per cent incentive.
- The budget allocation for incentive payments in 1986-87 will remain at $30 million. It will be allocated as follows:
  - $9 million for the North and East Fund;
  - $21 million for the General Fund.

Effective: the day following Royal Assent to enabling legislation.

All enquiries regarding SBDC changes should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
(416) 965-6869

or

SBDC Program
Ministry of Revenue
P.O. Box 625
33 King Street West
Oshawa, Ontario
L1H 8H9
(416) 433-6332

For telephone enquiries in Toronto call (416) 965-1160, extension 6332.

A4: Employee Share Ownership Plan (ESOP)

The purpose of this section is to provide the broad criteria that the Government of Ontario is considering to encourage employee share ownership in Ontario through the establishment of employee share ownership plans. The intention is to introduce legislation following discussions with interested parties. The following is subject to those discussions and to negotiations with the federal government.

Eligible Employees

- Any individual, other than a trust, who resided in Ontario on the last day of the taxation year and who is a full- or part-time employee with at least a one-year service record with the corporation, would be eligible provided the employee is not a significant shareholder of the employer or related to one.
- A significant shareholder is defined to be a person who holds at least 5 per cent of the shares of the corporation's capital stock.

Eligible Corporations

- A corporation would be eligible to issue qualifying ESOP shares if:
  - it is incorporated in Canada;
  - in its most recent taxation year, at least 25 per cent of all its salaries and wages were paid to employees of a permanent establishment in Ontario;
  - its gross revenues for the most recent taxation year, including the revenues of any associated corporations, do not, in total, exceed $50 million;
  - its assets at the end of the most recent taxation year, including the assets of any associated corporations, do not, in total, exceed $50 million.

Eligible Shares

- A share would be eligible for an ESOP if:
  - the share is newly issued, not having been sold before;
  - the share carries a right to vote;
  - the share is a common share;
  - the purchase of the share does not carry the right to:
    i. a tax credit or deduction from income under the Income Tax Act (Canada);
    ii. a grant under the Small Business Development Corporations Act; or

iii. a grant under the Ontario Mineral Exploration Program Act; and

– the share is offered by prospectus; or the share value can be validated.

- In order for employees to be eligible, the same share offer would have to be made available to all eligible employees of the corporation.

The Employee Incentive

- An eligible employee purchasing qualifying shares during a particular taxation year would be entitled to a tax credit of 15 per cent of the actual subscription price of the eligible shares to a maximum of $300 from the Ontario tax payable under the Ontario Income Tax Act.
- If the shares are sold or redeemed during the two calendar years following the year of their purchase, the individual would be required to add the amount of the tax credit to Ontario tax payable for the year in which the shares were sold.
- Claims for tax credits would be filed with personal income tax returns.

The Employer Incentive

- To encourage employer participation, the Government would share in the employer's costs associated with the establishment of an eligible plan. The Government will provide a grant equal to the lesser of $10,000 or one-third of the eligible plan set-up costs.

Administration

- The employer and employees would have to create a plan in accordance with the requirements set out above which will hold the shares on the employees' behalf, and appoint a trustee to administer the plan.
- The Ontario Ministry of Revenue would register the eligibility of proposed plans.

Effective Date

- The program will come into effect for the 1987 taxation year.

All enquiries regarding the proposed Employee Share Ownership Plan should be directed to:

Taxation Policy Branch
Ministry of Treasury and Economics
4th Floor, Frost Building South
7 Queen's Park Crescent East
Toronto, Ontario
M7A 1Y7
(416) 965-6869

A5: Summary of Revenue Changes

Revenue Changes: 1986 Budget Fiscal Impact Summary
($ million)

	1986-87	1987-88
Personal Income Tax	1	11
Retail Sales Tax	(14)	35
Tobacco Tax	5	27
Corporations Tax	4	25
OHIP Premiums	(2)	(20)
Total	**(6)**	**78**

Budget Paper B
Economic Outlook

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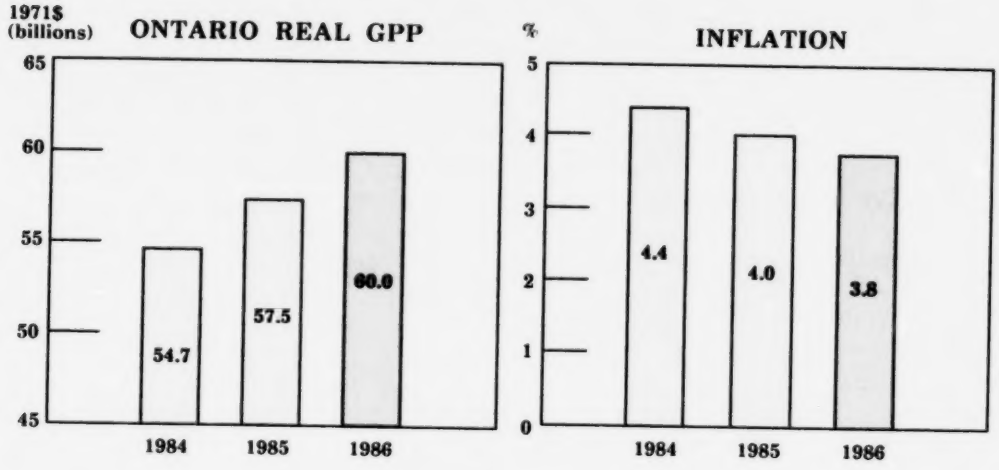
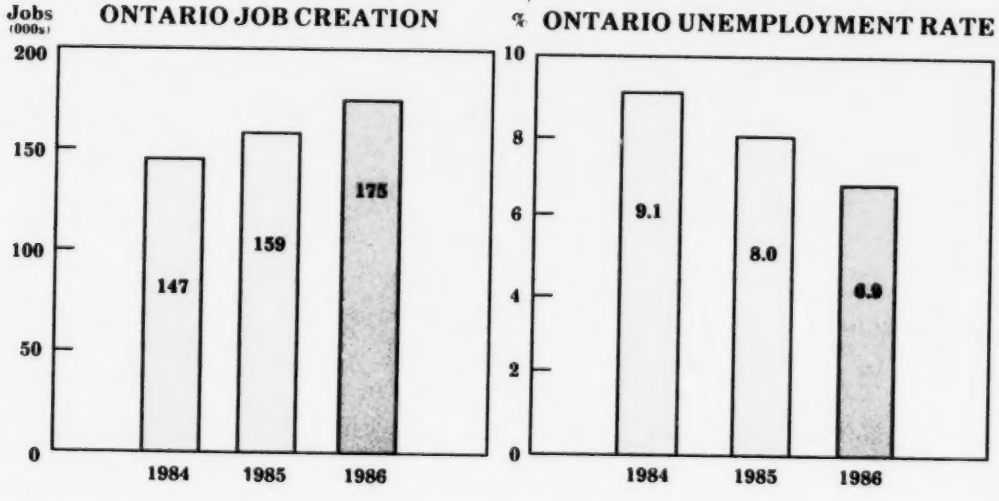
Highlights of the 1986 Outlook

- Ontario's real Gross Provincial Product is forecast to increase by 4.2 per cent in 1986.
- The rate of consumer price inflation is expected to drop from 4.0 per cent in 1985 to 3.8 per cent in 1986.



- Job creation in Ontario will continue at a strong pace. Employment is projected to rise by 175,000 in 1986.
- The provincial unemployment rate is forecast to average 6.9 per cent in 1986. Despite strong job creation, continued rapid labour force growth will limit the decline of the unemployment rate.



Key Factors

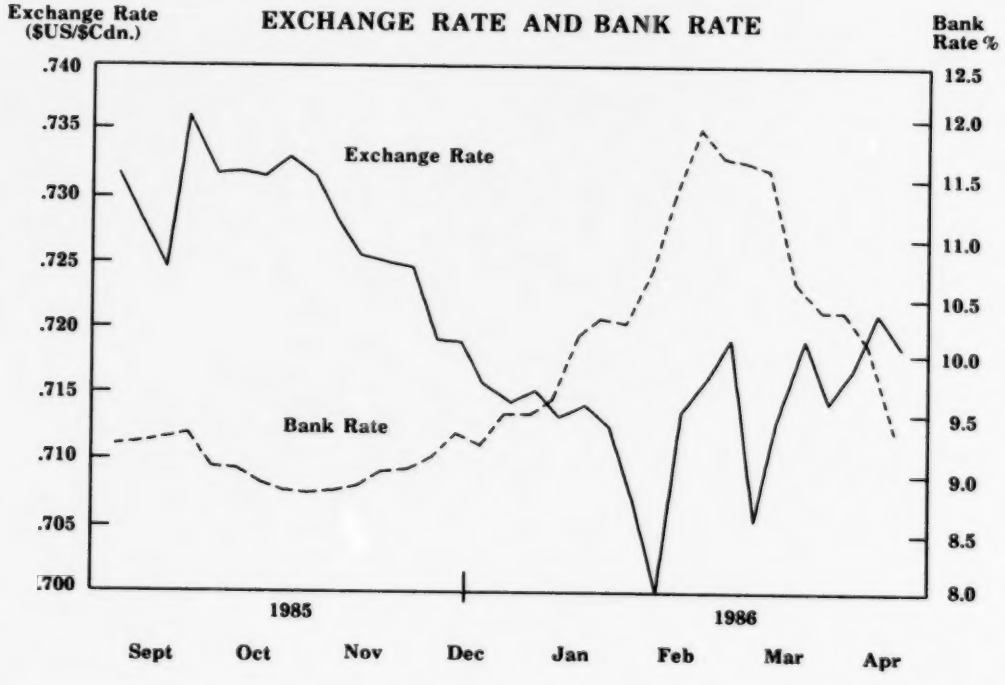
Key factors bearing on the 1986 outlook concern oil prices, the exchange rate, interest rates, the savings rate and growth in the U.S. and the rest of Canada.

Oil Prices

- While international prices for crude oil temporarily fell below $12 (U.S.) per barrel earlier in the year, the forecast assumes prices will rise to $16 (U.S.) per barrel by the end of 1986. Domestic oil prices are assumed to track movements in international prices.
- Ontario's oil bill last year was $6.4 billion. Since then, the price has fallen by 50 to 60 per cent. In general, Ontario benefits from lower oil prices as an energy-consuming province. However, there are also costs. Very low oil prices will further undermine the economies of oil-producing provinces. The effect would be to reduce significantly the benefits of falling oil prices to Ontario.

The Dollar and Interest Rates

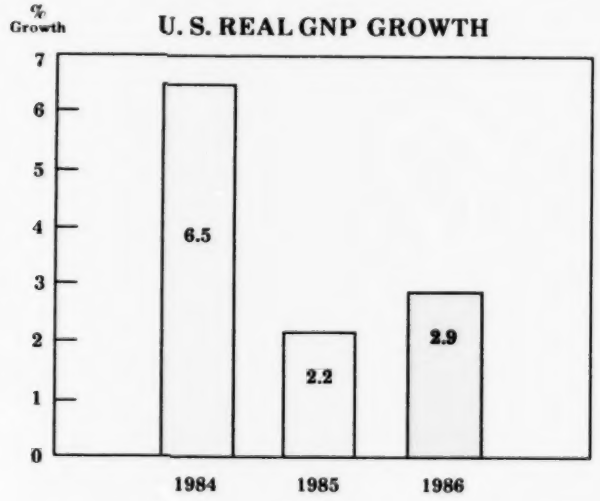
- Because of the Bank of Canada's resolve to defend the Canadian dollar's exchange rate with respect to the U.S. currency, short-term interest rates are to a large extent governed by the dollar's position in foreign exchange markets. The forecast assumes that the Canadian dollar will trade in the 71 to 73 cents (U.S.) range over the remainder of 1986.



- This would permit the Bank of Canada to reduce Canadian-U.S. interest rate spreads gradually, resulting in a prime rate of 10.0 per cent by year-end.
- There is some risk that the Canadian dollar will encounter renewed downward pressure and the Bank of Canada will maintain much larger rate spreads than has been assumed. Higher than forecast interest rates would sap some of the economy's momentum towards the latter half of the year, particularly by dampening demand in interest-sensitive sectors such as housing.

The United States Economy

- The United States economy is forecast to grow by 2.9 per cent in 1986, an increase from 2.2 per cent in 1985.
- While the U.S. economy is expected to grow somewhat faster than last year, changes in the pattern of demand will limit the stimulus to Ontario's economy. Stronger U.S. growth will come about primarily from the trade sector, reflecting the recent depreciation of the U.S. dollar, and from the housing sector. Slower growth of consumer spending will reduce import demand despite the stronger overall performance of the U.S. economy.



The Rest of Canada

- The rest of Canada is expected to grow more slowly than Ontario. For Canada as a whole, 1986 real growth is forecast at 3.5 per cent.
- The decline of oil prices will curb growth in the oil-producing provinces, particularly in Alberta. Investment in the rest of Canada is likely to fall off sharply in 1986 as a result of reduced oil and gas exploration.

The Savings Rate

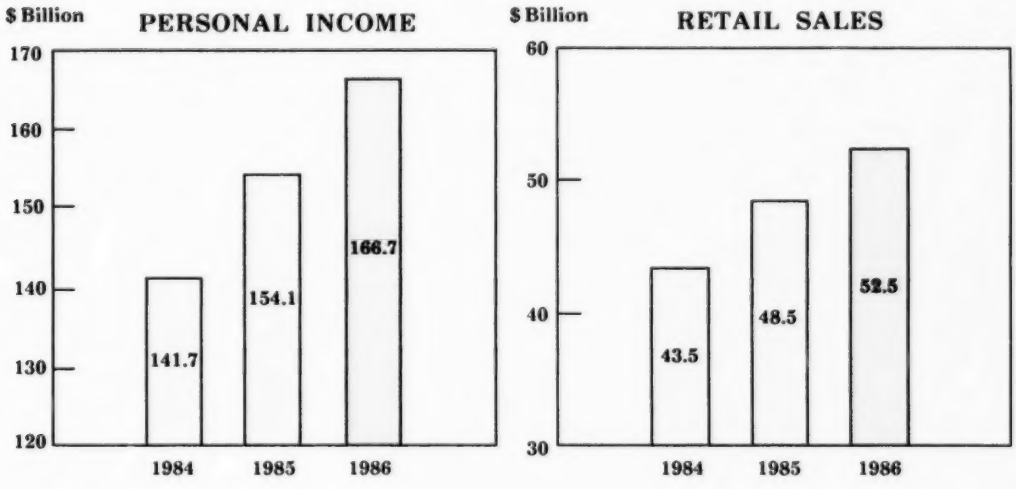
- Continued low inflation, rising employment and strengthening consumer confidence are assumed to reduce the personal savings rate. Higher interest rates, however, could offset this effect and prevent the savings rate from falling. In this case, consumer spending would grow at a lower rate than forecast, slowing overall economic growth.

The Outlook in Detail

Consumer Demand

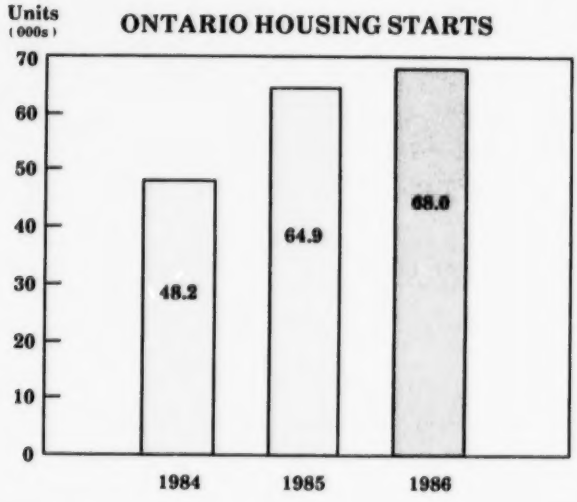
Consumer spending will continue to play an important role in sustaining economic expansion in 1986. Retail sales are forecast to grow by 8.1 per cent this year, driven by an expected 8.2 per cent increase in personal income and a decline in the personal savings rate.

- Although the growth of disposable income will be slowed by increased income taxes, moderate inflation will permit continued gains in real disposable income.



Housing

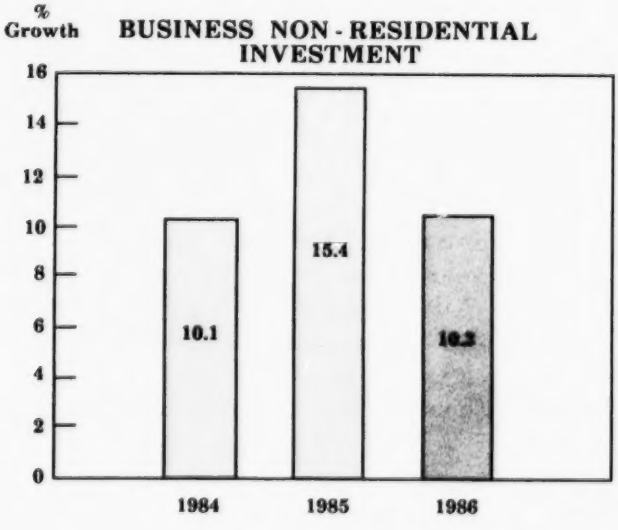
The housing market improved dramatically in 1985 as mortgage rates softened throughout the year. Housing starts were just under 65,000, the highest level since 1978. After rising sharply at the beginning of the year, mortgage rates have trended downwards and have dropped below last year's levels. Lower financing costs should ensure another year of robust growth in the housing market with starts forecast to increase to 68,000.



Business Investment

Business non-residential investment in Ontario, supported by strong capital spending in the manufacturing sector, is expected to remain a source of strength in 1986. Investment outlays on both non-residential structures, and machinery and equipment will surpass peaks set in 1981.

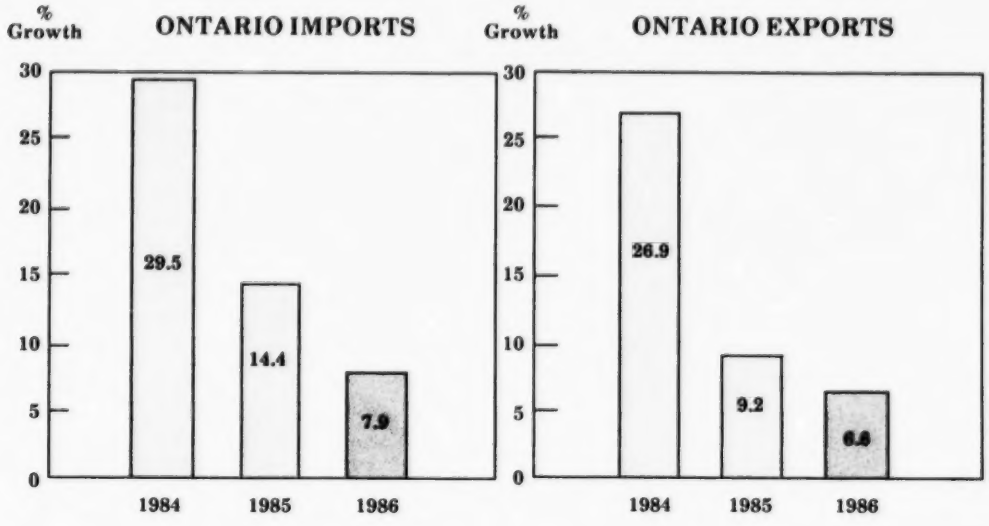
- Improving corporate balance sheets, rising profits, higher capacity utilization and lower interest rates have all contributed to the strong upswing in business spending.
- Investment in manufacturing will remain strong in 1986, led by spending now in progress on new production facilities in the auto industry.



Trade

Exports, especially of automotive products, led growth in the early stage of the Ontario recovery. However, exports in 1985 advanced at a much slower rate than in 1984, mainly because of slower growth in the United States.

Growth of both exports and imports is forecast to moderate further in 1986. Increases in exports this year will be limited by modest growth in the U.S. economy. Expected lower import growth reflects the adjustment to a more moderate growth rate for the Ontario economy.



Employment

Continued growth in employment and a further reduction in both unemployment and the unemployment rate are forecast for 1986.

- Employment in 1986 is forecast to average 4,577,000, an increase of 175,000 jobs from 1985.
- The labour force will grow by 127,000 persons in 1986, in part, resulting from an expected increase of the participation rate to 68.7 per cent from 68.0 per cent in 1985.
- The unemployment rate is forecast to average 6.9 per cent in 1986 compared to 8.0 per cent last year.

Prices

The Consumer Price Index rose by 4.0 per cent in 1985, the lowest inflation rate since 1971. The depreciation of the Canadian dollar against other currencies could result in higher domestic prices for imported goods in 1986. However, declining oil prices, together with stable food and commodity prices and continued wage moderation are expected to reduce consumer price inflation to 3.8 per cent in 1986.

The Ontario Economy: 1984 to 1986 — **Table 1**

	1984	1985	1986	84/83	85/84	86/85
	($ billion)			(per cent)		
Total Output						
Gross Provincial Product	163.1	177.1	191.2	10.2	8.5	8.0
GPP (Constant 1971 dollars)	54.7	57.5	60.0	7.2	5.2	4.2
Investment						
Machinery and Equipment	10.7	12.5	14.1	8.1	16.9	12.4
Non-Residential Construction	6.0	6.8	7.2	13.9	12.7	6.5
Residential Construction	6.2	8.1	9.4	6.4	30.5	16.2
Other Components of Demand						
Housing Starts - Units (000s)	48.2	64.9	68.0	–	–	–
Retail Sales	43.5	48.5	52.5	10.2	11.6	8.1
Exports	63.6	69.5	74.1	26.9	9.2	6.6
Imports	51.8	59.2	63.9	29.5	14.4	7.9
Income						
Personal Income	141.7	154.1	166.7	8.7	8.7	8.2
Corporate Profits (before taxes)	14.3	15.7	17.1	31.4	9.5	9.0
Prices						
Consumer Price Index	–	–	–	4.4	4.0	3.8
Jobs						
Labour Force (000s)	4,666	4,787	4,914	2.1	2.6	2.7
Employment (000s)	4,243	4,402	4,577	3.6	3.7	4.0
Unemployment Rate (% of labour force)	9.1	8.0	6.9	–	–	–

Source: Ontario Treasury.

Budget Paper C
Improving Fiscal Management

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Introduction

This Paper:

- describes Ontario's new approach to capital investments;
- describes the details of the other actions outlined in the Budget to improve Ontario's fiscal management processes;
- includes a summary of the 1985-86 revenue and expenditure performance; and
- contains detailed financial tables of the 1986 Budget Plan.

Multi-Year Planning for Capital Investments

The Ontario Government will adopt a new multi-year planning and management approach to its capital investments. A capital account will provide the financial resources for a comprehensive capital expenditure program. It will amount to $2,408 million -- $186 million above last year's level and be coordinated by the Management Board of Cabinet. The capital account will fund direct capital projects such as provincial highways and the Province's share of capital spending undertaken by our municipalities, hospitals, universities, school boards, other provincial organizations and joint projects with private industry.

Under this new management approach, each ministry will submit a multi-year capital plan which will identify future needs and report on operating cost implications of proposed projects. These plans will be updated annually and reviewed to ensure that they are consistent with Government objectives.

A new system of reporting will also be introduced to improve overall capital and investment planning. Better control of capital and other investments will be achieved through monthly reporting and internal recovery of project expenditures. Following the annual update, Management Board will review the Ministry capital plans based on the merits of the projects, proposed service levels and the fiscal objectives of the Province. Capital programs will be ranked and, when approved, funding provided for current and future years to ensure that projects are completed as scheduled and that current priorities are reflected.

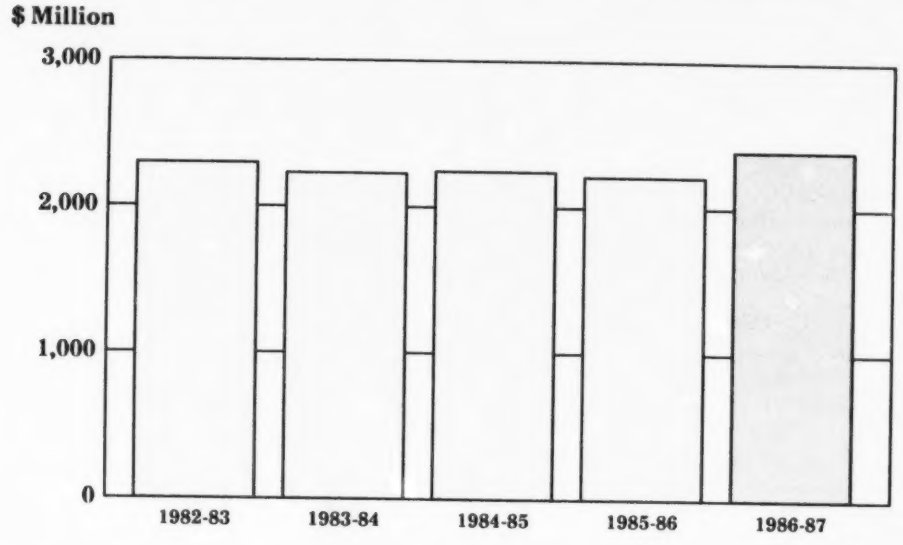
Table 1 details the planned cash flow distribution of the capital account expenditures by ministry.

Expenditure Outflows: Capital, Budgetary and Non-Budgetary Accounts Combined[1] **Table 1**
($ million)

			1986-87 Budget Plan		
	1984-85	Interim 1985-86	Total	Other	Capital
Agriculture and Food	328	403	457	410	47
Attorney General	278	285	313	313	–
Office Responsible for Women's Issues	5	10	10	10	–
Office Responsible for Native Affairs	1	1	2	2	–
Citizenship and Culture	186	216	227	190	37
Colleges and Universities	1,824	1,954	2,128	2,069	59
Community and Social Services	2,605	2,873	3,133	3,087	46
Consumer and Commercial Relations	98	101	108	108	–
Correctional Services	245	284	331	331	–
Education	3,114	3,282	3,585	3,477	108
Energy	61	58	45	36	9
Environment	312	325	363	239	124
Financial Institutions	27	31	35	35	–
Government Services	380	433	457	370	87
Office Responsible for Disabled Persons	1	1	2	2	–
Office Responsible for Senior Citizens	1	1	4	4	–
Health	8,324	9,242	10,021	9,853	168
Housing	211	235	349	206	143
Industry, Trade and Technology	107	141	263	122	141
Intergovernmental Affairs	8	8	6	6	–
Labour	73	78	92	92	–
Legislative and Executive Offices	8	9	10	10	–
Management Board	17	20	26	26	–
Municipal Affairs	811	871	881	860	21
Natural Resources	418	441	479	451	28
Northern Development and Mines	176	181	201	95	106
Revenue	652	684	718	688	30
Skills Development	306	393	459	456	3
Solicitor General	310	340	378	371	7
Tourism and Recreation	185	160	158	126	32
Transportation and Communications	1,587	1,602	1,767	625	1,142
Treasury and Economics					
Own Account	58	28	26	26	–
Economic Development Projects	10	2	70	–	70
Technology Fund	–	–	100	100	–
Pensions	607	714	731	731	–
BILD	271	274	–	–	–
Public Debt Interest	2,922	3,251	3,575	3,575	–
Board of Internal Economy	46	89	82	82	–
Estimated Year-end Savings	–	–	(100)	(100)	–
Restatement Adjustments	325	295	–	–	–
TOTAL OUTFLOWS (before extraordinary adjustments)	26,898	29,316	31,492	29,084	2,408
Extraordinary Adjustments	–	3,672	–	–	–
TOTAL OUTFLOWS	26,898	32,988	31,492	29,084	2,408

[1] Comparative figures are restated to conform with current Government structure. Ministry totals adjusted to reflect the impact of extraordinary adjustments.

Capital Investments: 1982-83 to 1986-87 **Graph 1**



Better Fiscal Management

The Budget outlines other fiscal management improvement initiatives to be undertaken this year. While longer-term planning and management is being introduced for future capital requirements, improvements will also be made to ensure that current operations are well reported and controlled.

Improved Management Information System

As the overall business of government has grown increasingly complex, so have the management information requirements. Management of the central budget plan and program performance requires timely, accurate and complete information. The Financial Information System of the Province will be supplemented to reflect current management information needs.

The Ministry of Treasury and Economics, in cooperation with Management Board of Cabinet and staff from other ministries, as well as advisors from the private sector, will develop improvements to the management information system. The Ministry of Housing has agreed to undertake a lead role in developing the systems applications at the line ministry level. In doing this, the Ministry will be testing alternative financial and program reporting models for direct and transfer payment operations.

Program Management Improvements

The Management Board of Cabinet has developed a five-point plan to enhance program management which includes:

- better use of the managing by results information system;
- review of the efficiency and effectiveness of Government activities;

- review processes to enhance accountability in the management ranks of the public service;
- extended application of the sunset review process to Government programs and activities using improved methodologies and evaluation criteria to be developed in concert with ministries;
- review of the recommendations for the provision of variable compensation for senior executives.

Revenue Auditing

In response to a recommendation of the Provincial Auditor, financial resources and staff have been added to strengthen the Ministry of Revenue's audit functions. This measure will increase the yield of the Province's existing tax base and improve the fairness of the tax system through more uniform compliance.

Removal of Revenue Dedications

Lottery revenues have increased from $42 million in 1975-76 to an estimated $346 million in 1986-87. Currently, profits from Wintario and Lottario under Section 9 of the *Ontario Lottery Corporation Act* are designated for "the promotion and development of physical fitness, sports, recreational and cultural activities and facilities." This restriction limits the Government's ability to respond to emerging priorities such as improvements to cancer treatment facilities or increased funding for hospital capital. The legislation will be changed to remove this restriction and permit support for these and other priorities. Project commitments will be honoured and Provincial funding for recreational, cultural and charitable programs will be continued.

1985 Budget Performance Update

This section provides a comparison between the 1985-86 interim financial results and the 1985 Budget Plan. These results update the previous quarterly report published in Ontario Finances for December 31, 1985. As shown in Table 2, net cash requirements were $79 million below the original Budget estimate, reflecting a $66 million decrease in net cash requirements before extraordinary adjustments and a reduction of $13 million in the net impact of the extraordinary expenditures. Consistent with the Budget Plan, net cash requirements were financed from non-public sources of borrowing and reserves.

1985-86 Budget Performance **Table 2**
($ million)

	Budget Plan	Interim	In-Year Change
Revenue	27,302	27,687	385
Expenditure	28,997	29,316	319
Net Cash Requirements before Adjustments	1,695	1,629	(66)
Extraordinary Adjustments (net)	518	505	(13)
Net Cash Requirements after Adjustments	2,213	2,134	(79)

Extraordinary Adjustments

The 1985 Budget detailed a number of actions designed to improve the presentation of the Province's financial affairs. The resulting extraordinary adjustments added $3,672 million to total expenditure outflows, largely offset by an increase of $3,167 million in total inflows. Full details of these adjustments will be presented in the Annual Report.

1985-86 Revenue

Interim results indicate that total revenue received during 1985-86 amounted to $27,687 million, $385 million above the 1985 Budget estimate.

The largest adjustments were to Personal Income Tax (PIT) revenue. Adjustments by the federal government for prior years' actual assessments accounted for $331 million. A federal re-estimate of 1985 tax year revenues added $141 million. These increases in PIT revenue were partly offset by a $98 million compensating decrease in federal payments under the Established Programs Financing arrangement.

Other major taxation revenue changes included a $42 million increase in Tobacco Tax receipts which reflects growth in consumption and a $43 million improvement in Land Transfer Tax revenue, up significantly due to record sales in the housing market. These increases were offset by a $66 million decrease in Corporation Taxes revenue due to lower than anticipated year-end payments and a $43 million decrease in Gasoline Tax revenue due to a slow-down in sales and a lower tax rate than was proposed in the 1985 Budget.

Federal payments, other than Established Programs Financing revenue, were up $56 million. In particular, Canada Assistance Plan payments increased by $45 million reflecting higher social assistance spending by the Province.

A summary of significant revenue changes from the Budget is presented below:

Summary of In-Year Revenue Changes in 1985-86 **Table 3**
($ million)

Taxation		
Personal Income Tax		
1984 and prior year adjustments	331	
Federal reforecast for 1985	141	
Corporation Taxes	(66)	
Gasoline Tax	(43)	
Tobacco Tax	42	
Land Transfer Tax	43	
Public Utilities	(19)	
Other	7	
Total Taxation		**436**
Other Revenue		
OHIP Premiums	(16)	
LCBO Profits	(44)	
Interest on Investments	(34)	
Vehicle Registration Fees	7	
Other Fees and Licences	19	
Royalties	12	
Lottery Profits	42	
Utility Service Charges	14	
Other	(5)	
Total Other Revenue		**(5)**
Payments from the Federal Government		
Established Programs Financing	(98)	
Canada Assistance Plan	45	
Other	11	
Total Payments from the Federal Government		**(42)**
Non-Budgetary Revenue		
Public Service Superannuation Fund	(22)	
Province of Ontario Savings Office	32	
Education Capital Aid Corporation	(25)	
Environmental Projects	(36)	
Crop Insurance	13	
Other Repayments	22	
Other	12	
Total Non-Budgetary Revenue		**(4)**
TOTAL NET CHANGE FROM BUDGET		**385**

1985-86 Expenditure

The interim results show expenditure at $29,316 million, a net increase of $319 million over the original Budget Plan. Expenditure increases totalling $623 million were approved in-year, almost half of which were offset through internal savings.

The largest increases occurred in social programs. The Province paid down the outstanding capital loans of a number of hospitals and health science centres, and also increased payments to the Ontario Health Insurance Plan for laboratory, physicians' and practitioners' services largely due to increased utilization. Additional funding was provided for agricultural programs, and for payments to senior citizens and family benefit recipients to meet rate adjustments and utilization increases.

A number of non-recurring items, such as the Province's funding for the acquisition of a supercomputer at the University of Toronto, temporary loans for the cities of St. Catharines and Kanata in the aftermath of recent bank failures and additional funding for industrial assistance through the Ontario Development Corporation, were provided for in 1985-86.

Savings of $27 million were reported for Public Debt Interest costs due to lower interest rates.

Summary of In-Year Expenditure Changes in 1985-86 **Table 4**
($ million)

In-Year Increases		
Payments to discharge hospital bridge financing	126	
Payments to physicians/practitioners	65	
Ontario Drug Benefit Plan	41	
Loans to St. Catharines and Kanata	19	
Ontario Development Corporation: Industrial Assistance	25	
Homes for the Aged	10	
Home Care Assistance	14	
Extended Care and Homes for Special Care	14	
Social Assistance: increased utilization and winter clothing allowance	47	
Property and Sales Tax Grants	12	
Interest on prior years' Government contribution to the TSF	22	
Agricultural programs	32	
Funding for a supercomputer at the University of Toronto	10	
Other	186	623
In-Year Savings		
Public Debt Interest Expense	27	
Energy, Housing and Hospital loans	20	
Environmental Plant Operations	18	
Small Business Development Corporation grants	12	
Energy projects	10	
Other in-year and year-end savings	183	
Other	34	(304)
TOTAL NET CHANGE FROM BUDGET		**319**

Fiscal Plan

The Fiscal Plan reduces net cash requirements to $1,544 million this year.

Fiscal Outlook **Table 5**
($ million)

	Interim 1985-86	Plan 1986-87	Difference	Per Cent Change
Revenue	27,687	29,948	2,261	8.2
Expenditure	29,316	31,492	2,176	7.4
	1,629	1,544	(85)	
Extraordinary Adjustments	505	–	(505)	
Net Cash Requirements	2,134	1,544	(590)	

This amounts to an $85 million decrease from the level of last year's net cash requirements before taking into account extraordinary adjustments, such as paying off the Suncor note. Including those adjustments, net cash requirements are reduced by $590 million from $2,134 million last year. The Fiscal Plan continues the downward trend in net cash requirements as a percentage of total Government spending, from 6.5 per cent last year to 4.9 per cent this year.

This year, revenues are projected to increase 8.2 per cent. About $2 billion of this increase reflects Ontario's strong economic performance. The revenue measures announced in the 1985 Budget are expected to yield approximately $650 million. However, since last year's interim revenue results include approximately $400 million in one-time revenues, the net increase for 1986-87 is $2.26 billion.

It should be noted that estimated payments from the federal government include repayment of the Canada Health Act penalties withheld since July 1984. Excluding this transaction, payments under the Established Programs Financing arrangement would have increased by three per cent. This low growth reflects $114 million in federal cutbacks to this program in 1986-87.

Expenditures are estimated to increase by $2.2 billion, or 7.4 per cent over the previous year. This increase incorporates Budget measures and programs set out in the Speech from the Throne, in addition to necessary provisions for inflation, utilization increases and higher public debt interest payments.

As shown in Table C1, 1986-87 net cash requirements of $1,544 million will be financed mainly from non-public borrowings from the Canada Pension Plan and the Teachers' Superannuation Fund. Liquid reserves will be reduced by $38 million.

The Canada Pension Plan funds available in May of this year were declined as these funds were surplus to current needs and more expensive than alternative sources. The forecast of Ontario's borrowings from the Canada

Pension Plan this fiscal year has been reduced to take into account lower borrowing requirements. As part of a continuing review of Ontario's financing policies, options will be considered for the use of non-public funds in excess of the Province's needs.

Operating Position

Ontario's operating budget position is the difference between total current revenue and current expenditure excluding capital expenditure. The operating position reflects the degree to which the Government is paying for its day-to-day operating needs from its current revenue.

Table 6 illustrates that the operating deficit will be reduced by $263 million in 1986-87.

Provincial Operating Position **Table 6**
($ million)

	Interim 1985-86	Plan 1986-87	Difference
Current Revenue	26,228	28,454	2,226
Current Expenditure	28,890	31,031	2,141
	(2,662)	(2,577)	85
Less: Capital Expenditure	2,082	2,260	178
Operating Position	(580)	(317)	263

Ontario Public Service Staffing Levels

The average number of Provincial public servants increased by 727 during 1985-86 primarily as a result of the implementation of the provisions of the Young Offenders Act and the need for additional environmental inspectors.

Table 7 presents the average monthly staffing levels for the past eight years.

Ontario Public Service:
Total Staffing, 1978-79 to 1985-86 **Table 7**

Fiscal Year	12-Month Average
1978-79	87,270
1979-80	87,333
1980-81	86,744
1981-82	85,751
1982-83	85,977
1983-84	84,908
1984-85	84,566
1985-86	85,293

Table 8 illustrates staffing levels recorded each month during 1985-86.

Ontario Public Service: Total Staffing, 1985-86 **Table 8**

		Classified Staff	Unclassified Staff	Crown Employees	Month-End Total
1985	April	65,845	14,180	1,465	81,490
	May	65,797	19,968	1,473	87,238
	June	65,719	23,423	1,478	90,620
	July	65,821	28,216	1,480	95,517
	August	65,803	25,834	1,480	93,117
	September	65,836	16,967	1,445	84,248
	October	65,801	15,714	1,444	82,959
	November	65,846	14,986	1,443	82,275
	December	65,912	13,785	1,434	81,131
1986	January	66,593	13,756	1,270	81,619
	February	66,779	13,651	1,274	81,704
	March	66,971	13,357	1,264	81,592

Note: Reduction in crown employees from December 1985 to January 1986 due to the appointment of staff of the Residential Tenancy Commission to the classified service.

The implementation of the Young Offenders program will require a further increase in the staffing of correctional facilities. As a result of this and an increase in the workloads of many ministries, including Attorney General, Health, Labour, and Solicitor General, it is forecast that the average number of public servants will increase by approximately 750 during 1986-87.

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Statement of Provincial Net Cash Requirements and Related Financing

Table C1

($ million)

	1984-85	Interim 1985-86	Budget Plan 1986-87
Budgetary Transactions			
Revenue	23,893	26,228	**28,454**
Expenditure	26,461	28,890	**31,031**
Budgetary Deficit (before extraordinary adjustments)	2,568	2,662	**2,577**
Extraordinary Adjustments: Expenditure	–	3,672	**–**
Budgetary Deficit	2,568	6,334	**2,577**
Non-Budgetary Transactions (net)			
Trust Accounts	592	784	**840**
Loans and Investments	274	249	**193**
Non-Budgetary Contribution (before extraordinary adjustments)	866	1,033	**1,033**
Extraordinary Adjustments: Revenue	–	3,167	**–**
Non-Budgetary Contribution	866	4,200	**1,033**
NET CASH REQUIREMENTS (before extraordinary adjustments)	**1,702**	**1,629**	**1,544**
NET CASH REQUIREMENTS	**1,702**	**2,134**	**1,544**
Financing			
Non-Public Borrowing			
Canada Pension Plan	1,134	1,214	**600**
Teachers' Superannuation Fund	1,065	1,235	**1,255**
Retirements	(11)	(31)	**(343)**
Net Non-Public Borrowing	2,188	2,418	**1,512**
Public Borrowing			
Treasury Bills/Debenture Issues	–	–	**–**
Retirements	(98)	(319)	**(6)**
Net Public Borrowing	(98)	(319)	**(6)**
Change in Liquid Reserves	388	(35)	**(38)**
TOTAL FINANCING	**1,702**	**2,134**	**1,544**

Revenue Inflows
($ million)

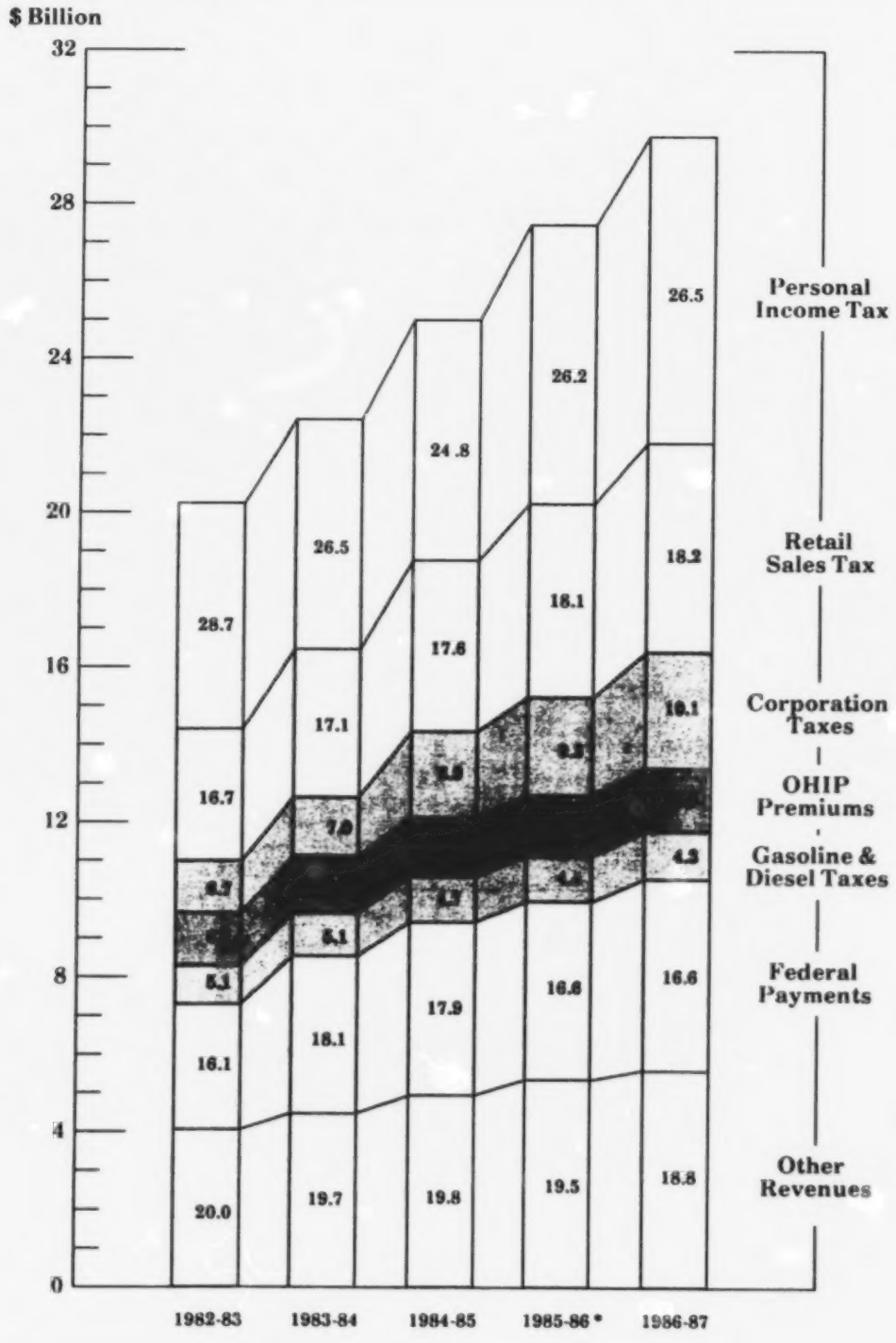
Table C2

	1984-85	Interim 1985-86	Budget Plan 1986-87
Taxation Revenue			
Personal Income Tax[1]	6,253	7,249	**7,948**
Retail Sales Tax	4,426	5,025	**5,451**
Reciprocal Taxation	69	81	**85**
Corporation Taxes	2,248	2,575	**3,025**
Mining Profits Tax	65	55	**55**
Gasoline Tax	961	977	**1,017**
Motor Vehicle Fuel Tax	225	242	**265**
Tobacco Tax	583	603	**590**
Land Transfer Tax	139	205	**270**
Race Tracks Tax	61	64	**67**
Public Utilities Income Tax	51	56	**45**
Other Taxation	11	12	**13**
	15,092	17,144	**18,831**
Other Revenue			
OHIP Premiums	1,586	1,622	**1,653**
LCBO Profits	602	638	**695**
Vehicle Registration Fees	329	356	**430**
LLBO Fees, Licences and Permits	253	275	**318**
Other Fees and Licences	223	254	**283**
Lottery Profits	250	317	**346**
Interest on Investments	505	451	**273**
Royalties	136	164	**170**
Utility Service Charges	111	125	**130**
Sales and Rentals	80	68	**100**
Fines and Penalties	85	87	**95**
Miscellaneous	132	126	**170**
	4,292	4,483	**4,663**
Payments from the Federal Government			
Established Programs Financing	2,772	2,752	**2,981**
Extended Health Care Services	359	385	**409**
Canada Assistance Plan	938	1,045	**1,090**
National Training Act	168	171	**171**
Bilingualism Development	77	49	**60**
Young Offenders	24	39	**44**
Vocational Rehabilitation	42	32	**32**
Other	129	128	**173**
	4,509	4,601	**4,960**
Total Budgetary Revenue	**23,893**	**26,228**	**28,454**
Deposits into Trust Accounts (C4)	868	1,050	**1,147**
Repayments of Loans (C5)	435	409	**347**
TOTAL INFLOWS (before extraordinary adjustments)	**25,196**	**27,687**	**29,948**
Extraordinary Adjustments	–	3,167	**–**
TOTAL INFLOWS	**25,196**	**30,854**	**29,948**

[1] Net of Tax Credits of $289 million, $275 million and $275 million for the 1984-85, 1985-86 and 1986-87 fiscal years.

Major Revenue Sources: Per Cent of Total 1982-83 to 1986-87

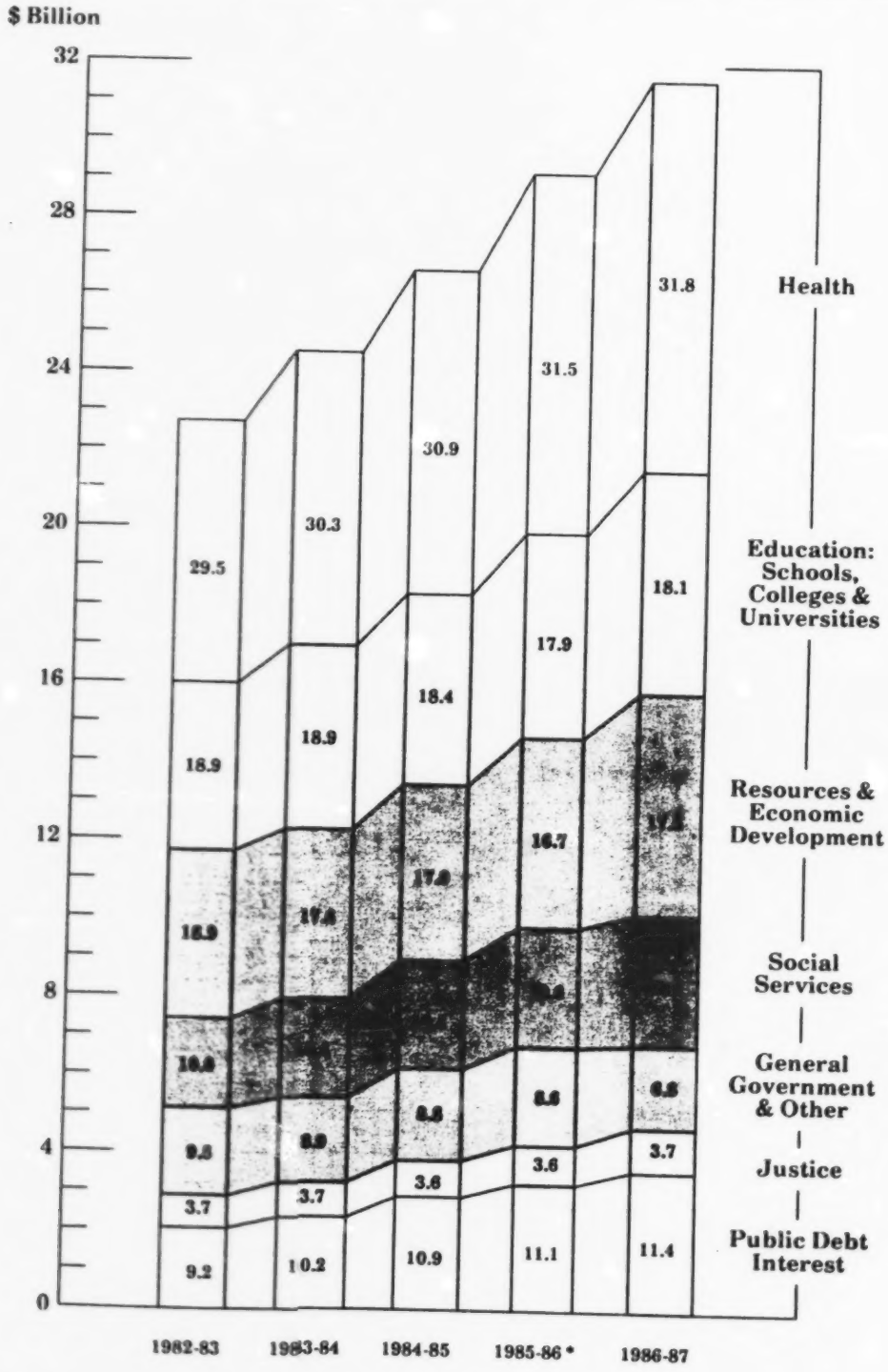
Chart C1



*Excluding Extraordinary Adjustments

Expenditure Functions: Per Cent of Total
1982-83 to 1986-87

Chart C2



*Excluding Extraordinary Adjustments

Expenditure Outflows[1]

($ million)

Table C3

Ministry	1984-85	Interim 1985-86	Budget Plan 1986-87
Agriculture and Food	288	371	410
Attorney General	277	281	313
Office Responsible for Women's Issues	5	10	10
Office Responsible for Native Affairs	1	1	2
Citizenship and Culture	161	183	190
Colleges and Universities	1,804	1,930	2,069
Community and Social Services	2,583	2,843	3,087
Consumer and Commercial Relations	97	101	107
Correctional Services	245	284	331
Education	3,034	3,180	3,477
Energy	34	29	36
Environment	179	211	239
Financial Institutions	18	25	27
Government Services	316	348	370
Office Responsible for Disabled Persons	1	1	2
Office Responsible for Senior Citizens Affairs	1	1	4
Health	8,136	8,977	9,853
Housing	155	168	206
Industry, Trade and Technology	79	85	117
Intergovernmental Affairs	8	8	6
Labour	73	78	92
Legislative and Executive Offices	8	6	10
Management Board	17	20	26
Capital Account	2,110	2,082	2,260
Municipal Affairs	753	790	860
Natural Resources	377	411	449
Northern Development and Mines	37	73	95
Revenue	630	667	688
Skills Development	306	384	456
Solicitor General	308	340	371
Tourism and Recreation	105	109	126
Transportation and Communications	553	620	625
Treasury and Economics			
Own Account	26	28	24
Technology Fund	–	–	100
Pensions	378	456	436
BILD	71	156	–
Public Debt Interest	2,922	3,251	3,575
Board of Internal Economy	46	90	82
Estimated Year-end Savings	–	–	(100)
Restatement Adjustments	319	292	–
Total Budgetary Expenditure	**26,461**	**28,890**	**31,031**
Payments out of Trust Accounts (C4)	276	266	307
Loans and Investments (C5)	12	20	6
Capital Account (C5)	149	140	148
TOTAL OUTFLOWS (before extraordinary adjustments)	**26,898**	**29,316**	**31,492**
Extraordinary Adjustments	–	3,672	–
TOTAL OUTFLOWS	**26,898**	**32,988**	**31,492**

[1] Comparative figures are restated to conform with current Government structure. Ministry totals adjusted to reflect impact of extraordinary adjustments.

Expenditure Outflows[1] Budgetary and Non-Budgetary Accounts Combined

Table C3A

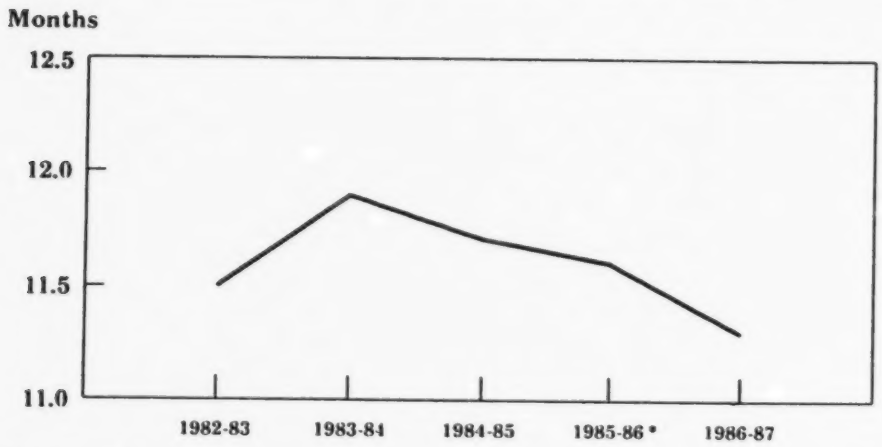
($ million)

Ministry	1984-85	Interim 1985-86	Budget Plan 1986-87
Agriculture and Food	288	372	**410**
Attorney General	277	281	**313**
Office Responsible for Women's Issues	5	10	**10**
Office Responsible for Native Affairs	1	1	**2**
Citizenship and Culture	161	183	**190**
Colleges and Universities	1,804	1,930	**2,069**
Community and Social Services	2,583	2,843	**3,087**
Consumer and Commercial Relations	98	101	**108**
Correctional Services	245	284	**331**
Education	3,034	3,180	**3,477**
Energy	34	29	**36**
Environment	181	212	**239**
Financial Institutions	27	31	**35**
Government Services	317	348	**370**
Office Responsible for Disabled Persons	1	1	**2**
Office Responsible for Senior Citizens Affairs	1	1	**4**
Health	8,137	8,977	**9,853**
Housing	155	168	**206**
Industry, Trade and Technology	79	85	**122**
Intergovernmental Affairs	8	8	**6**
Labour	73	78	**92**
Legislative and Executive Offices	8	6	**10**
Management Board	17	20	**26**
Capital Account	2,259	2,222	**2,408**
Municipal Affairs	753	809	**860**
Natural Resources	379	412	**451**
Northern Development and Mines	37	73	**95**
Revenue	630	667	**688**
Skills Development	306	384	**456**
Solicitor General	308	340	**371**
Tourism and Recreation	116	109	**126**
Transportation and Communications	553	620	**625**
Treasury and Economics			
Own Account	58	28	**26**
Technology Fund	–	–	**100**
Pensions	607	714	**731**
BILD	71	156	**–**
Public Debt Interest	2,922	3,251	**3,575**
Board of Internal Economy	46	90	**82**
Estimated Year-end Savings	–	–	**(100)**
Restatement Adjustments	319	292	**–**
TOTAL OUTFLOWS (before extraordinary adjustments)	**26,898**	**29,316**	**31,492**
Extraordinary Adjustments	–	3,672	**–**
TOTAL OUTFLOWS	**26,898**	**32,988**	**31,492**

[1] Comparative figures are restated to conform with current Government structure. Ministry totals adjusted to reflect the impact of extraordinary adjustments.

Months of Revenue Required to Repay Funded Debt: 1982-83 to 1986-87

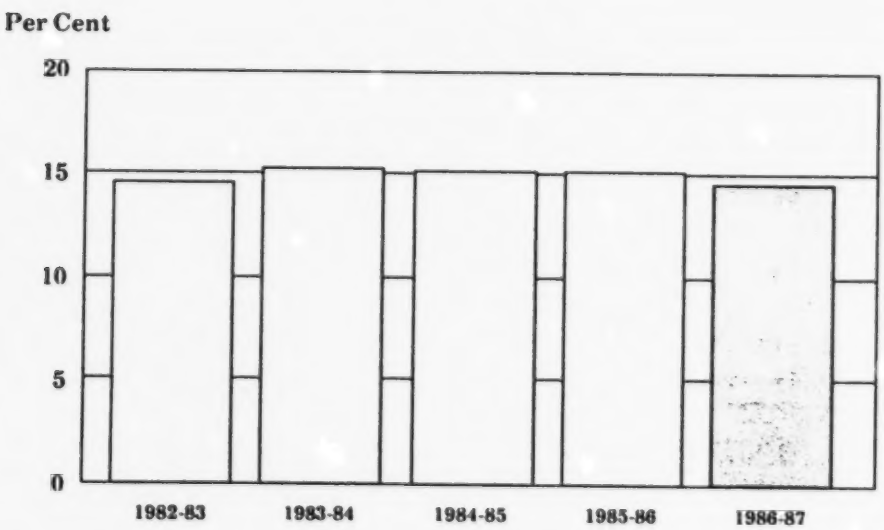
Chart C3



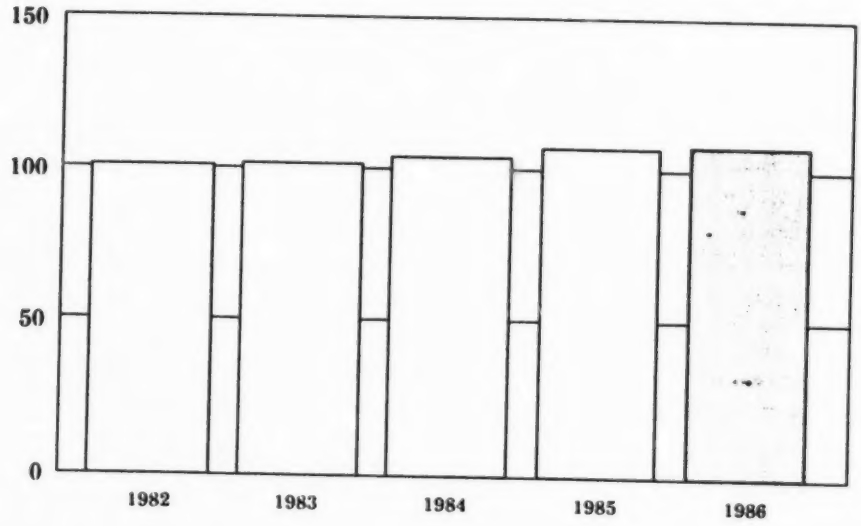
* Excluding Extraordinary Adjustments

Funded Debt as a Per Cent of Gross Provincial Product: 1982-83 to 1986-87

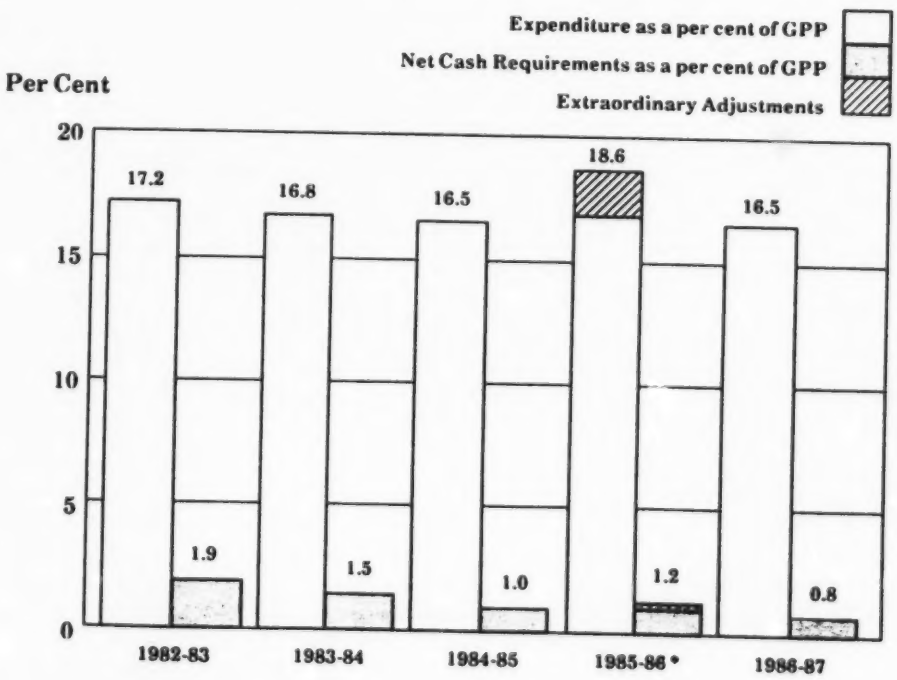
Chart C4



Population Served per Ontario Public Servant: 1982 to 1986 — **Chart C5**



Expenditure and Net Cash Requirements as a Per Cent of Gross Provincial Product: 1982-83 to 1986-87 — **Chart C6**



*Including Extraordinary Adjustments

Trust Accounts
($ million)

Table C4

	1984-85	Interim 1985-86	Budget Plan 1986-87
Deposits			
Public Service Superannuation Fund	565	641	725
Superannuation Adjustment Fund	248	283	320
Provincial Judges Benefits Fund	26	9	9
OPP Supplementary Benefit Account	1	7	7
Other Pensions	4	6	7
Province of Ontario Savings Office	–	63	38
Motor Vehicle Accident Claims Fund	11	11	11
Other	13	30	30
Deposits into Trust Accounts	**868**	**1,050**	**1,147**
Payments			
Public Service Superannuation Fund	164	165	181
Superannuation Adjustment Fund	63	82	104
OPP Supplementary Benefit Account	–	5	6
Provincial Judges Benefits Fund	–	3	2
Other Pensions	2	3	2
Motor Vehicle Accident Claims Fund	9	6	9
Province of Ontario Savings Office	32	–	–
Other	6	2	3
Payments out of Trust Accounts	**276**	**266**	**307**
TRUST ACCOUNTS – NET DEPOSITS	**592**	**784**	**840**

Loans and Investments
($ million)

Table C5

	1984-85	Interim 1985-86	Budget Plan 1986-87
Repayments			
Ontario Land Corporation	75	86	**177**
Ontario Development Corporations	41	39	**34**
Environmental Projects	74	49	**30**
Tile Drainage Debentures	20	22	**23**
Public Hospitals	15	11	**10**
Education Capital Aid Corporation	98	79	**–**
Universities Capital Aid Corporation	36	29	**–**
Ontario Northland Transportation Commission	10	13	**–**
Crop Insurance Commission	24	13	**–**
Other	42	68	**73**
Repayments of Loans	**435**	**409**	**347**
Loans and Investments			
Capital Account	149	140	**148**
Metro Toronto Convention Centre	11	–	**–**
Other	1	20	**6**
Loans and Investments	**161**	**160**	**154**
LOANS AND INVESTMENTS – NET REPAYMENTS	**274**	**249**	**193**

Transfers to Local Governments and Agencies

Table C6

($ million)

	1984-85	Interim 1985-86	Budget Plan 1986-87
Conditional Transfers			
Grants to School Boards			
General Legislative Grants	3,029	3,178	**3,329**
School Capital Grants	61	72	**83**
Education Capital Fund	–	–	**25**
Transportation			
Roads	508	527	**545**
Transit	322	261	**300**
Municipal Improvement Fund	–	–	**60**
Other	4	4	**3**
Social Assistance			
General Welfare Assistance	441	478	**491**
Homes for the Aged	182	200	**236**
Child Welfare	171	186	**198**
Day Nurseries	66	88	**111**
Other	9	9	**9**
Health			
Local Health Units	94	106	**122**
Other	32	31	**34**
Agriculture	105	110	**112**
Environment	110	118	**111**
Housing	45	47	**61**
Conservation Authorities	38	37	**40**
Library Boards	30	33	**35**
Recreation	23	48	**31**
Municipal Affairs	22	22	**19**
Northern Development and Mines	15	11	**10**
Other	57	21	**27**
	5,364	5,587	**5,992**
Unconditional Transfers			
General Support	236	254	**280**
Resource Equalization	129	130	**124**
Per Household - Policing	130	141	**143**
Per Household - General	101	103	**104**
Payments-in-lieu of Taxes	81	87	**90**
Northern Ontario Support	63	63	**69**
Revenue Guarantee	49	52	**53**
Other	10	9	**10**
	799	839	**873**
TRANSFERS TO LOCAL GOVERNMENTS*	**6,163**	**6,426**	**6,865**
Extraordinary Adjustments	–	1,168	–
TRANSFERS TO LOCAL GOVERNMENTS	**6,163**	**7,594**	**6,865**

* Before extraordinary adjustments.

Ontario Public Service Staffing Levels

Table C7

March 31, 1986[1]

Ministry	Classified Staff	Unclassified Staff	Other Crown Employees	Total	Change From 1985
Agriculture and Food	1,570	460	–	2,030	(23)
Attorney General	3,410	1,521	446	5,377	85
Citizenship and Culture	640	259	–	899	81
Civil Service Commission	222	64	–	286	55
Colleges and Universities	222	41	2	265	(316)
Community and Social Services	9,160	1,860	–	11,020	(54)
Consumer and Commercial Relations	1,767	377	316	2,460	(126)
Correctional Services	5,333	1,300	48	6,681	575
Education	1,407	479	373	2,259	(90)
Energy	194	58	2	254	(2)
Environment	1,567	122	–	1,689	101
Government Services	2,810	327	–	3,137	161
Health	10,733	1,697	–	12,430	224
Industry, Trade and Technology	427	114	3	544	20
Intergovernmental Affairs	60	13	–	73	(16)
Labour	1,363	153	20	1,536	(37)
Legislative and Executive Offices	119	83	–	202	18
Management Board	73	19	–	92	(11)
Municipal Affairs and Housing	1,269	262	47	1,578	281
Natural Resources	3,784	1,463	–	5,247	(74)
Northern Development and Mines	371	51	–	422	200
Ontario Development Corporations	152	26	–	178	15
Policy Secretariats	10	1	–	11	(147)
Revenue	3,763	216	–	3,979	(95)
Skills Development	374	117	–	491	491
Solicitor General	1,560	621	6	2,187	(7)
Tourism and Recreation	567	352	–	919	201
Transportation and Communications	8,609	1,084	–	9,693	(136)
Treasury and Economics	385	68	1	454	(1)
O.P.P. Uniformed Staff and Security Guards	4,411	–	–	4,411	14
Environment Plant Operators	639	149	–	788	63
Total Staffing	**66,971**	**13,357**	**1,264**	**81,592**	**1,450**
Short-term Job Creation	–	113	–	113	(1,174)
GRAND TOTAL	**66,971**	**13,470**	**1,264**	**81,705**	**276**

[1] Excludes staff of the Lieutenant Governor, Office of the Assembly, Ombudsman and Provincial Auditor.

Ten-Year Review of Selected Financial and Economic Statistics

($ million)

	1977-78	1978-79	1979-80	1980-81
Financial Transactions				
Revenue	11,782	13,233	15,246	16,470
Expenditure	13,544	14,413	15,830	17,273
Net Cash Requirements	1,762	1,180	584	803
Financial Position				
Funded Debt[1] (excluding Ontario Hydro)	12,364	14,037	15,196	16,215
Provincial Debt Transactions (net)	1,506	1,652	1,132	968
Publicly-Held Debt	1,613	1,718	1,307	1,164
Gross Provincial Product (GPP) at Market Prices[2]	81,970	89,702	100,942	112,066
Personal Income[2]	67,417	74,835	83,480	93,868
Population - June (000s)	8,353	8,440	8,501	8,570
Funded Debt Per Capita (dollars)	1,480	1,663	1,788	1,892
Personal Income Per Capita (dollars)	8,071	8,867	9,820	10,953
Net Cash Requirements as a per cent of GPP	2.1	1.3	0.6	0.7
Funded Debt as a per cent of GPP	15.1	15.6	15.1	14.5
Total Expenditure as a per cent of GPP	16.5	16.1	15.7	15.4
Publicly-Held Debt as a per cent of GPP	2.0	1.9	1.3	1.0
Cumulative Net Borrowing for Ontario Hydro				
U.S.	3,284	4,141	4,506	4,379
C.P.P.	–	–	–	500
Contingent Liabilities (mainly Ontario Hydro)	6,557	7,096	8,026	8,585

[1] Funded Debt includes debentures, notes and Treasury Bills.

[2] Gross Provincial Product and Personal Income are calculated on a calendar year basis. The amounts appearing in a fiscal year column are for the preceding calendar year.

Note: All funds are quoted in Canadian dollars.

* Before extraordinary adjustments.

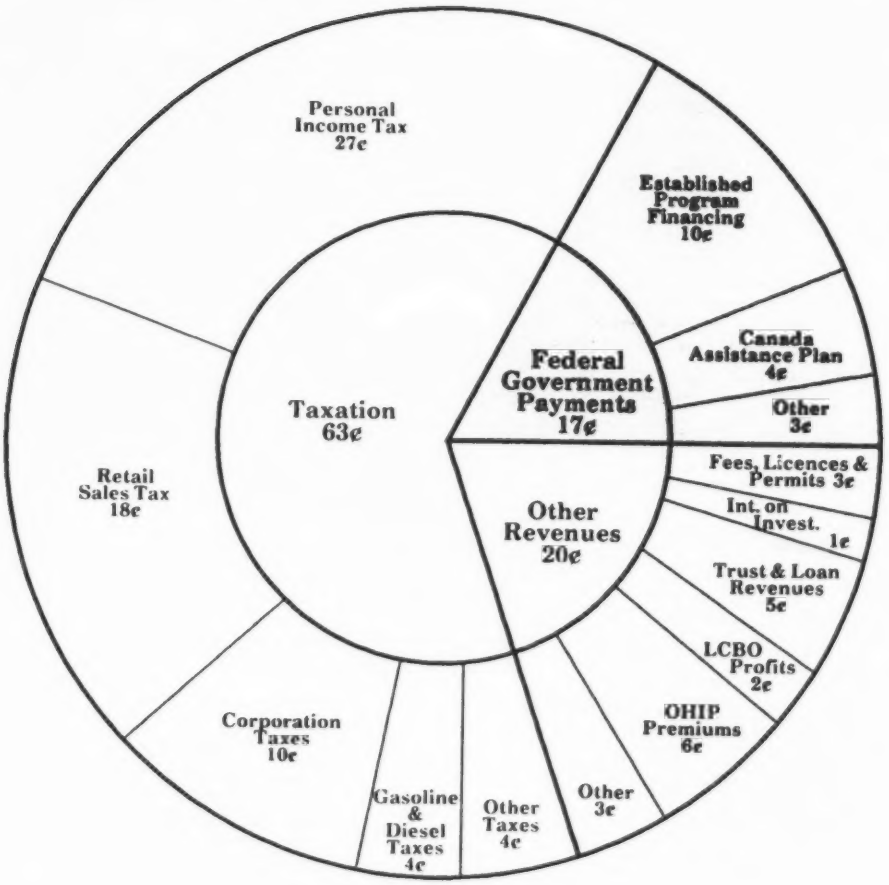
** After extraordinary adjustments.

N/A - not available.

Table C8

				Interim		Budget Plan
1981-82	1982-83	1983-84	1984-85	1985-86*	1985-86**	1986-87
18,886	20,433	22,647	25,196	27,687	30,854	**29,948**
20,389	22,911	24,936	26,898	29,316	32,988	**31,492**
1,503	2,478	2,289	1,702	1,629	2,134	**1,544**
17,592	19,643	22,503	24,593	26,695	26,695	**28,201**
1,363	2,051	2,860	2,089	2,099	2,099	**1,506**
1,102	1,056	1,939	1,841	1,524	1,524	**1,519**
127,408	133,536	148,008	163,145	177,059	177,059	**191,200**
109,672	121,091	130,333	141,730	154,069	154,069	**166,700**
8,625	8,716	8,825	8,942	9,064	9,064	**9,162**
2,040	2,254	2,550	2,750	2,945	2,945	**3,078**
12,716	13,893	14,769	15,850	16,998	16,998	**18,195**
1.2	1.9	1.5	1.0	0.9	1.2	**0.8**
13.8	14.7	15.2	15.1	15.1	15.1	**14.7**
16.0	17.2	16.8	16.5	16.6	18.6	**16.5**
0.9	0.8	1.3	1.1	0.9	0.9	**0.8**
5,573	6,058	6,487	7,206	7,189	7,189	**N/A**
1,000	1,000	1,000	1,000	1,000	1,000	**N/A**
9,285	11,122	12,711	14,219	16,000	16,000	**N/A**

The Budget Dollar: Revenue, 1986-87 — Chart C7



The Budget Dollar: Expenditure, 1986-87 **Chart C8**